

Town of Canterbury
Board of Selectmen
November 18, 2011

Selectmen Present: Bob Steenson
Briggs Lockwood
Tyson Miller
Town Administrator: Roger Becker

The meeting was called to order at 5:10 PM.

Bob made a motion to adopt the warrant articles for a Special Town Meeting to be held on December 3, 2011 at the Canterbury Elementary School.

ARTICLE 1

To see if the town will vote to authorize the Board of Selectmen to sell and convey to Stewardship Partnership, LLC, a partnership of Brookford Farm and Concord resident Gary Hirshberg, certain property located at Intervale Road, identified in the Town of Canterbury tax records as Tax Map 4, Lot 31, Tax Map 5, Lot 18 and Tax Map 5, Lot 17, all of which is described in a deed recorded in the Merrimack County Registry of Deeds at Book 2759, Page 718, also known as the Canterbury Intervale Farm, for a price of \$900,000, and subject to certain conservation easements and the rights of the town to use a portion of the property for recreational purposes, and subject to the requirement that the property be preserved in perpetuity as open space and for agricultural and Silva cultural uses.

The proceeds of the sale shall be used to pay the debt incurred by the Town to purchase the property and to refund the payment made by the State of New Hampshire Land and Community Heritage Investment Program (LCHIP) for its share of the original purchase price. ***Recommended by the Selectmen***

ARTICLE 2

“To see if the voters of Canterbury will vote to enter into the Lease/Purchase and Sale Agreement presented by Peter Glines and Eric Glines to the Town of Canterbury for the purchase of property known as The Canterbury Intervale Farm (f/k/a Goldstar) for the price of Seven Hundred Thirty-five Thousand and no/100ths Dollars (\$735,000.00) principal and interest payments will be exactly what the town bond payment is through 2025 at which time any balance due will be paid in 2025 with all principal payments being deducted from the purchase price of the property. Further, to authorize the selectmen to accept on behalf of the Town the gift of a transfer and/or easement of property owned by the Dole Family Revocable Trust in connection with the sale of the property.” ***Petitioned Warrant Article***

Briggs seconded the motion. All in favor by roll call, motion carried.

The Board signed the warrant and adjourned the meeting until 6:00 PM where the meeting will be reconvened at the Parish House.

The reconvened meeting was called to order at 6:02 PM.

Bob thanked everyone for attending the meeting. In the addition to the Selectmen present were members of the Planning Board, Conservation Commission and Agricultural Commission.

Bob asked that any questions be directed to the Board or the speakers.

The Board presented a recap on the recent history of the Sod Farm, the current fiscal situation and the process in which we sought, over the summer and fall, to remedy the situation.

Bob explained that Gary Hirschberg, Luke Mahoney, Peter and Eric Glines are here to answer any questions.

The Selectmen have been engaged since the last Town Meeting attempting to resolve the ongoing financial problems with the Gold Star Sod Farm. Gold Star, having made no lease payments since 2008, has defaulted on the lease. The Town has thusly been left with a fairly large debt with no offsetting revenue. In consultation with the Conservation Commission and Agricultural Commission, the Selectmen have been striving to formulate a working course of action for a maximum benefit for the Town. A professional appraisal was completed of the Sod Farm property in August 2011 to establish its retail value on the market as well as its commercial lease value. They Consulted with Economic Development Committee Members Jeff Leidinger and Dwight Keeler to get their expertise on how to commission and word the appraisal and get their thoughts on the marketability. Wayne Mann arranged to have a Cornell University Soil Health Test to evaluate the condition of the soils.

Early on in the process, once it was known that the property could be legally sold, the Selectmen determined that an outright sale of the property at the right price to an appropriate buyer (whose intended use fit the Conservation objectives of the Town) would be a superior outcome to another lease arrangement. The original concept for preserving the land was for the Town to purchase the property through the sale of a bond with the principal and interest being covered by a long term lease. In concept it was good, in practice, it wasn't. The long term lease proved to be risky. Collecting rent was difficult, short payments, late payments or no payments at all and collecting property taxes on the property proved to be next to impossible. Managing the property turned out to be problematic.

The Selectmen decided, given the challenges of leasing and what they felt the advantages of the sale to the right buyer would be, to offer the farm for sale. We also offered it for lease, but didn't know what the strength of that market would be. The Board discovered that a number of people wanted to purchase the property. A total of 5 offers were received to purchase the property. Four of the offers were deemed to be credible offers; they had an intended use consistent with the Conservation objectives and demonstrated financial ability to close on the property.

Bob reviewed the four offers and explained the evaluation process used to determine the outcome. In October the Selectmen called for proposals. At the November 7, 2011 Selectmen's meeting, in consultation with the Planning Board Chair, Conservation Chair and Agricultural Commission Chair, the Selectmen, together with the other Board Chairs, met in a non-public session, reviewed each proposal and interviewed each applicant. Having reviewed all the offers, the Selectmen did select an offer that they could support and recommend to the Town. After the non-public session concluded, the Selectmen voted to accept the offer from Brookford Farm in partnership with Gary Hirschberg. Bob explained that all the offers are available to view on the Town website.

Bob reviewed the criteria the Selectmen used and gave a summary of each offer received.

- 1) Brookford Farm – Offered \$900,000

Brookford Farm has no financial contingencies.

They have extensive conservation experience with Strafford Rivers Conservancy; they are currently farming along the Salmon Falls River on land that is entirely protected by Conservation Easements.

They have accepted the fact that the Town may someday have a recreation area on the property and the public is welcome.

Their intended use is a diversified organic farm

2) Morrill Farm – Offered \$800,000

Morrill's did have a financing contingency, but had communication from their lending source that they had a commitment letter in process.

They have extensive experience working with Conservation Easements.

They expressed some reservations about the recreation area.

Their intended use was a conventional Dairy production

3) Steve Rattee – Offered \$712,000

Steve had financing contingency, looking for a 100% Federal Agricultural Loan.

Has conservation experience with his property on Mountain Road.

Expressed some significant reservations about the recreation area and indicated that the public was really not welcome.

Intended use was for a for profit working farm

4) Edgar Crete – Offered \$600,000

No financing contingency

Intended use conventional corn and alfalfa production with possibly some cattle

The Board received a total of 3 Lease to own offers.

- 1) Milliken Nurseries – Advance payment of \$200,000, annual lease payment of \$100,000 with the exception of year 5, which would be for \$150,000 up to an eventual purchase price of \$850,000. The duration of the proposal was a total of 7 years. The Board did not believe they have experience working on Conservation land, but they are a professional firm and the Board did not determine that was a negative.

Recreation area and public access accepted.

Intended use was for nursery trees and tree production on approximately 60 acres and they would seek a lessee for the remaining acreage.

2) Sparrow Arc Farms

They proposed advance payment of \$0 annual rent payment of \$70,000 with an eventual purchase price of \$1,100,000. The duration of contract is until the purchase price was achieved.

They have limited Conservation experience.

Recreation area and public access accepted.

Their intended use is to grow Heirloom vegetables, primarily for the Boston Market. They were looking at this land to expand their operation and get closer to Boston.

3) Peter & Eric Glines

Advance payment of \$0

Annual rent in the amount of the Town's debt obligation on the bond to an eventual purchase price of \$735,000. In the last year, there would be a \$210,000 balloon payment.

They have experience of conserving land in Canterbury

Recreation area and public access accepted

Their intended use is a conventional Dairy operation; grow corn, silage and hay.

The Selectmen have concluded that Brookford Farm is the best offer for the Town. They had the highest purchase price and the best financial deal for the Town. They would have cash at the closing in an amount sufficient to cover the remaining bond, pay the funds due LCHIP with a little left over.

There would be no risk of default; we would not be exposed to the construction economy for nursery stock or sod. The intended use meets the intent of the conservation easements on the property. Gary Hirschburg and the NH Community Loan Fund have a solid and amazing track record of building solid businesses. The Property tax collection would begin again according to the normal method of assessing property taxes with an owner that is not the Town. The Board concluded that to be a far superior offer. Having been down the leased property route once, the Board felt that they could not in good conscience recommend to the Townspeople that they go down that road again, at least not when there is a better and safer offer.

Deke Jackson asked if there would be a penalty to prepay the bond. Bob explained that the bond cannot be prepaid. If the voters approve a sale to Brookford Farm, the funds would go into a separate fund and the bond payments would be made from that account.

A question was asked about what kind of revenue would be generated by taxes and asked if it would be better to have 5-acre house lots there. Bob explained that there can never be house lots there. The Conservation Easements that run with this land are part of the deed and the land is protected in perpetuity. The land can never be used for anything other than Agriculture. The Selectmen estimate that the property tax would be approximately \$10,000 annually.

Beth Blair asked if the \$900,000 was accepted, would there be any opportunity to re-coop some of the money that was not paid by the earlier Lessee. Bob explained that there would be about \$45,000 -

\$50,000 left over that could be set aside, but that there was no opportunity to collect from the Blackstones.

Kelly suggested that the Selectmen explain the Recreation carve-outs. Bob explained that the 18-acre was reserved for low impact recreations (ball fields, etc.) and that these rights are preserved in the new deed. The right of public access is for low impact activities, walking the trails along the river, etc. Kent Ruesswick asked if the access to the river on the north end of West Road will be maintained. Bob explained that that property on the north side is owned by the Town and the property on the south side of the road is owned by the Blackstones.

Gary Hirschburg and Luke Mahoney were asked to describe the financial structure of the LLC.

Gary explained that he is interested in helping a farmer like Luke to get established. He supports organic farming; there are 1,400 organic farmers that supply Stonyfield.

They set up an LLC with Gary and Luke as partners. They are looking for the best tax structure for the LLC. Gary will provide the money and Luke will provide the sweat equity. A question was asked about what would happen if the partnership failed. Gary explained that he will be the owner of the property and if Luke defaults as the tenant, the property would still be his. Gary explained that he is not doing this as an investment for financial gain; rather he is doing this to put a worthy farmer on a worthy piece of land.

Deke Jackson asked Luke why he was losing his lease. Luke explained that it was a 5-year lease. The owners are looking for farmers to keep things on a smaller scale. It has a lot of smaller New England buildings and the owner does not want that to change. As Luke grows his business, he has the need to change the buildings to make for a more efficient workspace, which is not allowed by the owners.

Deke asked what Brookford Farms revenue forecast is. Luke explained that it is about \$800,000 annually. Gary explained that Brookford Farm is fully certified as a Community Supported Agriculture (CSA) farm in Rollinsford. They have a farm store on the farm. It will be 3-years before Canterbury Intervale Farm could be certified.

Kelly asked Luke to explain his soil management techniques. Luke explained that the only chemicals that would be used would be in the Dairy washing system, NRCS approves a settling pond which would hold the waste chemicals and the milk solids from the milking system. Luke explained that he beds the cows down with mulch hay which he collects to make compost. They then make compost windrows in rotating locations. Gary stated that what Luke explained is standard practice for organic dairy.

Cathy Berry asked Luke to explain how he plans to bring the soils back. Luke explained that this will be done with a mixture of animal manures. He has a 60-foot trailer filled with roosting and laying boxes. This trailer has a false floor and is moved every day. Another major part of the renovation is to have pigs out in the pasture with a rotating location.

Craig Pullen commented that he heard that Luke would have a store on the property. There is some concern among the people who are involved with Canterbury Country Store that there would be competition; he asked if they could work together. Luke explained that yes, he has talked to Joe and is in hopes that Joe will carry some of their products.

Theresa Wyman asked Luke if he looked at other locations so that his clientele would still see him. Luke explained that he did an extensive search and found that this location is the only place that could support their operation as it is now. They have a lot of clients down the 93 corridor.

A question was asked regarding the Brick house on West Road, since the Blackstones owes money to the Town, could a lien be put on this? Bob explained that a lien cannot be placed because of the settlement agreement with the former tenants, whereby we took possession of the large barn and all of the irrigation equipment and nursery stock on the property in exchange for a small amount of cash to be used to clean up the farm.

Luke explained his farming operations. Out of the 300 acres, they will use 40 acres to grow grains, wheat, etc. Dairy is the base of the farm; they will continue growing vegetables, starting with about 10-acres because of the soil conditions. Gary suggested that people go to Brookford Farms website.

Seth Cohn asked the Selectmen to explain leasing vs. selling the property.

Bob explained that if the property is sold, the Town will get the money up front, if the property is leased the Town will get the money at the end. We currently owe \$692,000 on the bond now, maturing in 2025. We will have to pay LCHIP \$158,400. We have met with LCHIP and they have agreed in concept that a sale is acceptable. The \$900,000 will cover everything we need and leaves us about \$45,000. We can put aside all the money to pay down the bond. If the property is leased, LCHIP must be paid at the time the ownership is paid. All of the lease proposals received would cover the town's costs to pay the principal and interest on the bond each year. All the lease offers, either the principal payment or the rent payment would accrue to the eventual purchase price. The fundamental difference would be the risk factor. Ty explained that they are unsure if LCHIP would sign the lease agreement and wait until 2025 to receive their money. Bob explained that at LCHIP's September meeting, they voted to approve a sale of the property now in concept. A brief discussion ensued on the appraised value of the property.

Deke Jackson stated that currently, we have a choice. If we go with Brookford Farms and they fail, the Town would have no say on what happens with the property. Bob explained that once the Town sells the property, the new owner has the deed; the Town will have no further liability or control of the property. The easements are specific on what can and cannot be done and what must be done. The mechanism that controls the property is in place. All lessees of municipal property by state law have to pay the property taxes. Ty noted that LCHIP must sign off on any future sale of the property, which travels with the deed.

Peter and Eric Glines presented their proposal.

Eric explained that they are the 9th generation to Farm in Canterbury. Eric has taken over the management of the equipment maintenance and crops production. Peter is managing the herds in nutrition and production. Both have been to college and are continuing to further their education through UNH Extension.

Peter explained that for many years they have been struggling with their limited land use. Finding good productive land close by is getting harder and harder. They are currently traveling 12 miles to grow their crops. Their current farming operation is not only spread out but too small. They have looked at opportunities like Canterbury Intervale Farm in other areas such as, upstate New York and the Midwest. Since they were young, they have dreamed of farming this land. When we found out this spring that the farm may become available, they went right to work on developing a plan for them to farm the land and generate enough cash flow to pay off the town's bond. They found that the

safest way to do this was to diversify. They plan to expand their milking herd 25% to a total of approximately 110 and use some of the land to grow forage crops to sell to other farmers. They would also lease about 60 acres to John Bryant of Milliken Nurseries. This method of diversification, with the help of a startup loan from Farm Credit East, is probable and believes that it can be succeeded.

Universities across the country have come up with the management practices that provide guidelines for water quality. On our farm we strive to follow these guidelines to the fullest extent. They also use organic farming practices such as crop rotation, composting and organic fertilizer. They use as little commercial fertilizer as possible. They do not use any restricted herbicides, the one herbicide they do use can be purchased by anyone over the counter and used in your own back yard.

They have offered the Town a lease to purchase proposal of \$735,000. The terms are: they would assume the bond payments, principal and interest exactly as they are in the Town Report, extending through the year 2025 with all the principal payments be applied to the purchase price. That would leave a balance due of \$210,000 to pay off the LCHIP money due and \$6,000 of the \$60,000 to the Conservation Commission. The Town has informed them that the bond cannot be paid off early, therefore if the interest payments of \$167,717.34 are subtracted from the \$900,000 from the Brookford proposal it leaves a balance of \$732,282.66 thereby making their offer a bit higher. Eric explained that to help them out, their Aunt and Uncle, Kathy and Sumner Dole, offered to put in a kayak access or possible a Conservation Easement on Forest Pond at no cost to the Town.

Seth Cohn asked the Glines to explain what they could do if they had this property. Peter explained that would increase their herd to 110 and move the young stock to the Intervale property. With the extra feed, more than they would need for their herd, they would be able to sell some to neighboring farms.

Tom Osmer stated that the interesting part of the Glines proposal is to exchange Conservation Easements in another part of Town to gain public access to property that he understands that isn't open right now for public access. He was wondering if that part of the proposal has been developed enough to give us an idea of how many acres might be protected. Sumner Dole explained that the idea of the Intervale Farm going up for sale and the boys expressing an interest in the farm, they wondered how they could help. They thought they could do some Conservation around the pond. They would explore this; it's not cast in concrete. They suggested that Peter & Eric put that in their proposal and they would be willing to talk about it. Sumner also submitted a proposal to exchange the development rights around the pond in Canterbury for the farm. That proposal didn't fly. We are currently talking to Fish and Game for a kayak access. There are some legal issues involving Cathy Sutton's driveway. They are unsure at this time if it would be a long term lease or a deed transfer with Fish and Game. They are exploring long term conservation easement up on the pond, not all of the property, some of it. Some may be a combination of donations and sale of the easement.

The reason that the Board did not include this offer in their evaluations is because at this time it is not clearly defined. This was not a criteria that they could use effectively to evaluate the proposal.

Jim Snyder was unclear on the calculations on the interest and the comparison to the \$900,000. Eric explained that the offer of \$735,000 included the LCHIP money and the principal payments to the bond and the \$60,000 to the Conservation Commission. They would also be making the interest payment every year which totals \$167,717. The total price equals \$902,000. The interest payments that they make on the bond will not be accrued to the purchase price.

David Tirrell-Wysocki stated that the LCHIP could become a factor in a lease to own proposal because it is unknown today how a different board would vote 25 years from now. Bob explained that that is the risk the Town would have in engaging in a lease to own proposal and, also, the risk that the boys have in their own proposal; we don't know what the LCHIP Board will look like, sound like or do when they need to vote on a sale some number of years down the road. That is one reason why the Board didn't solicit lease to own offers. That's a potential flaw in the system that could work against both the Town and Peter and Eric.

David Tirrell-Wysocki stated that this isn't something the current LCHIP Board can tell us before the Town has to vote on this proposal. Bob stated that they may have to go to LCHIP to see what they think about this offer. The LCHIP Board only meets quarterly. Bob explained that when they received the lease to own proposal, they contacted LCHIP and tried to do enough due diligence so that they would have the answer. They have not received an answer yet, LCHIP is deliberating.

Theresa asked when the next LCHIP meeting would be. Ty explained that they will be meeting around the 12th of December. Bob explained that part of their timing for selecting the Town Meeting was around various holidays and trying to understand what the Town did or didn't want the Selectmen to do so they could go to the next LCHIP meeting.

Seth Cohn asked if Peter and Eric wanted to modify their proposal would there be enough time for them to do so. Briggs stated no, we would have to allow all parties to come back to the table. Bob explained that at the Town meeting someone may be able to call from the floor to amend the article; the Board will talk to Town Counsel.

Jim asked if the Selectmen were concerned about a legal challenge to their choice. He is a little concerned about the fairness issue to the others, that we might face legal challenges. Specifically he thinks the Glines may be getting a second bite of the apple by being on the ballot, while other bidders, arguably with better offers, did not. Bob explained that the Selectmen didn't put this warrant article on the ballot; the citizens have a right to petition for a special town meeting. It made sense to accommodate their petition on our Town Meeting rather than have two separate Town Meetings saving the Town the cost of a second Special Town Meeting. That was an action available to all the other bidders.

Fred Ficken stated that he is proud of the Glines boys and Gary and his crew. He suggested that they get together for a joint venture and we will all be happy.

Herbie Fife from Franklin spoke in favor of the Glines. Herbie has been farming for years, he knows what farming is and these boys know it too. They need more room to expand to compete with others.

Howard Moffett wanted to commend the Select Board for the work they have done, they have really gone the second mile and he really appreciates it.

Bob explained that they feel that they have a terrific outcome that we did not anticipate. The fact that we have 2 or more good proposals to restore the land is an outcome that we didn't envision.

Briggs commented that he grew up in Town; he worked on the Glines farm as a teenager. He supported along with Bob and Tyson the sale of the property; at this point speaking for himself he is not selling either position. He believes the Board did right by the Town, he thinks that's the right one for the Board of Selectmen to choose. He wanted to tell everyone that the information is out there and it's not an easy decision.

Bob made a motion to adjourn the meeting at 7:45 PM. Briggs seconded the motion. All in favor by roll call, motion carried.

Respectfully submitted,

Jan Stout
Administrative Assistant