Research Brief on ALR Land Price and Non-farm use and Subdivision Activities in the Regional District of Central Kootenay

Wallapak Polasub, Alexander Stark and Kent Mullinix
Institute for Sustainable Food Systems
Kwantlen Polytechnic University

June, 2020

1. Background

In local and regional food systems, land is an essential resource and land access is critical for building both food security and food sovereignty. The food self-reliance capacity of a region – the ability of the region to produce food for its' own citizens – requires an available, suitable and accessible landbase (Mullinix et. al, 2016). The Regional District of Central Kootenay (RDCK) is no exception; the issue of accessibility is of paramount importance because land suitable for agriculture comprises less than 5% of its total landbase. According to the 2016 Agricultural Land Use Inventory Report (ALUI), out of the 44,192 hectares (ha) surveyed, about 13,379 ha (30%) are actively farmed; these numbers equate to 1,202 farmed parcels and 4,019 unfarmed parcels (Ministry of Agriculture, 2017). Whether the lands are actively used for farming depends on many different factors which may include competing interests such as: residential needs, commercial uses, utilities, transportation network development and recreational areas. Additionally, high land price may act as a barrier for potential farmers who want to start a farm business, or current farmers who want to expand their operation. Even though lands in the Agricultural Land Reserve (ALR) are protected and reserved for agricultural use, landowners may seek permission from the Agricultural Land Commission (ALC) to conduct non-farm use activities or subdivide the lands. These may all contribute to the reduction of prime agricultural lands and their capacity to serve future agricultural purposes. Hence, a region's ability to produce food could be undermined if those who own agricultural land do not engage in farming, and those who want to produce food cannot afford the land.

Objective

This report aims to present evidence-based information on land prices and sales trends, as well as the types of non-farm uses and subdivisions occurring on ALR lands, within the RDCK. The examination of these subjects is primarily intended to generate information relevant to policymakers, so that they can make informed decisions when developing policies to enhance the regional food system. Secondly, the report will serve to create and bolster awareness for the general public.

Methodology and Data

This report employed the descriptive statistics method to present data from secondary sources. The characteristics of sold ALR parcels, as well as applications for non-farm use and subdivision activities, will be summarized using easily understandable graphics and tables. Data on assessed value of ALR properties, sale prices and property's characteristics

were collected by BC Assessment (BCA) and were available for research purposes upon request. Data on non-farm use and subdivision applications of ALR lands were downloaded from the ALC's website at: https://www.alc.gov.bc.ca/alc/content/applications-and-decisions

To create visual representations of ALR parcels, ParcelMap BC Parcel Fabric database was linked to BCA database using parcel identification number (PID). The database can be downloaded from the BC Government's Data Catalogue website at: https://catalogue.data.gov.bc.ca/dataset/parcelmap-bc-parcel-fabric

Study Scope

To provide an overview of general characteristics of ALR properties, only the 2018 data from the assessment value database was used to present this information. Parcels with incomplete information were excluded. Therefore, the total number of records in this dataset was 5,640 properties.

The analysis of the price of ALR land was conducted using records of sales of all ALR properties from 2006 to 2018. There was a total of 3,924 sales transactions during the study period. However, to reduce bias in the results, multiple property transactions and sales within family members[1] were excluded from the dataset. Therefore, only single property sales were included in the analysis. To identify locations of these parcels, the BCA dataset was combined with a Parcel Fabric database. Sale transactions with missing information on price or parcel size were also excluded. Through these processes, 2,111 sale transactions were excluded from the analysis. As a result, there were a total of 1,813 sale transactions included in the final dataset. Lastly, all sale values were adjusted for inflation using 2018 as a base year.

The non-farm use and subdivision dataset consists of archived applications from 2006 to 2016. The dataset includes all subdivision and non-farm use applications. Subdivision or non-farm use applications for which approval status was not available were excluded from the analysis.

2. Overview of ALR properties assessed in 2018

Each year BCA conducts property assessment to provide a base for local and provincial government to calculate property taxes. The assessed value of properties are determined by different factors such as property type, value of improvements (buildings), location, and availability of services (BCA, 2020).

There are 9 property classes in which a property will be placed through the assessment process depending on its use. If a property has several uses, it can be classified into more than one property class. The 9 property classes are[2]:

- Class 1, Residential

[1] It is assumed that buyers and sellers are family members if they have the same last names.
[2] Detailed explanation of these classes can be found at: https://info.bcassessment.ca/Services-products/Property-classes-and-exemptions/understanding-property-classes-and-exemptions

- Class 2, Utilities
- Class 3, Supportive Housing
- Class 4, Major Industry
- Class 5, Light Industry
- Class 6, Business Other
- Class 7, Managed Forest Land
- Class 8, Recreational Property, Non-profit Organization
- Class 9, Farm

ALR boundary is designated based on topography and soil quality, not ownership. Therefore, parts of a property may not be included within the ALR. However, for property tax purposes it is not possible to assess value of a property only for the area within the ALR boundary. Hence, there are two main types of ALR properties: parcels that are completely within the ALR (all ALR) and parcels that are partially within the ALR (part ALR).

In 2018, BCA conducted over 6,000 assessments on ALR properties. After excluding properties with missing information, there was a total 5,640 parcels with complete information. Summary of characteristics of these properties are as follows:

Of the total properties assessed, 4,119 properties (73%), were not assessed under farm class while 1,521 (27%), were under farm class.

About 82% of all parcels (4,629 parcels) were those that are located entirely within the ALR boundary. Eighteen percent of all parcels (1,011 parcels) were partially located within the ALR boundary.

The average size of an ALR parcel was 25 acres while the median was 8 acres. Forty-two percent (2,376 parcels) were parcels of 5 acres or less. Parcels between 6-10 acres and parcels between 11 to 50 acres were distributed similarly at 25% (1,406 parcels) and 24% (1,344 parcels), respectively. The largest parcel was over 3,500 acres while the smallest was 300 square feet.

The mean assessment value of an ALR property was about $5,000 per acre while the median assessment value was about $12,000 per acre. The substantial difference between the mean and median assessment value occurred because there were many more smaller size parcels compared to larger size parcels.

3. Analysis of sales of ALR land between 2006 to 2018

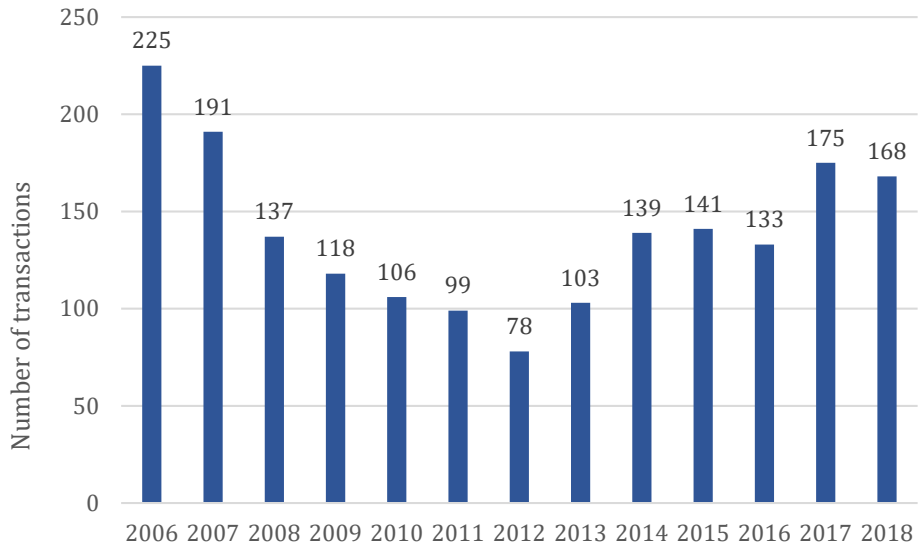
This section provides information on characteristics and values of ALR properties that were sold during 2006 to 2018.

Number of sale transactions

From 2006 to 2018, in this analysis, there were a total of 1,813 sale transactions involving 1,452 properties. The total number of properties is smaller than the total number of sale transactions because about 20% or 306 parcels were sold multiple times (250 parcels were sold twice, 51 parcels were sold three times and 3 parcels were sold 4 times).

The total number of sales had been decreasing since 2006 to 2012 - around the time of the United States' subprime mortgage crisis. It was not until 2013 that the number of sales evidenced an increasing trend (Figure 1).

Figure 1: Number of sale transactions in the RDCK, 2006 – 2018.



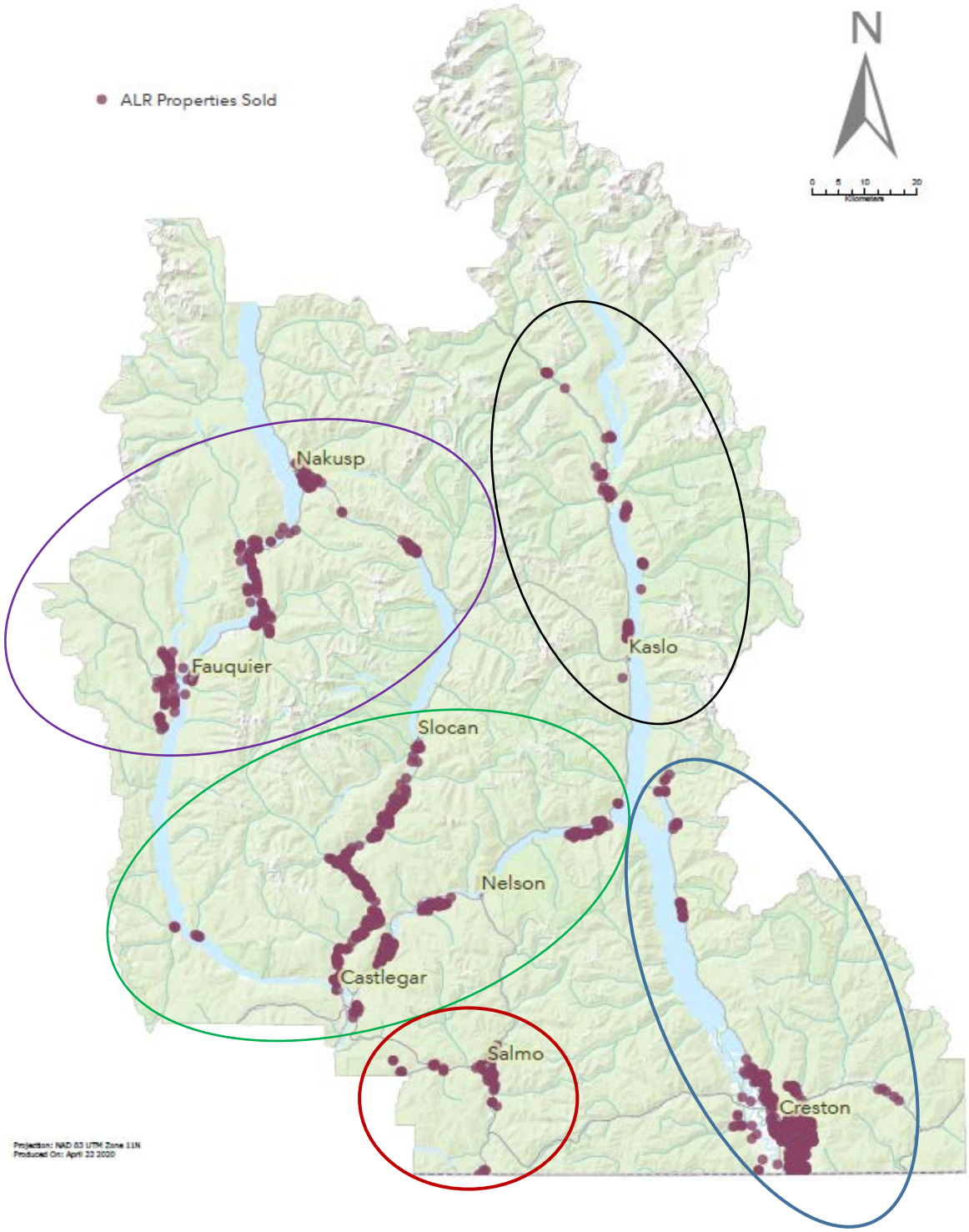
Source: BCA, 2019

Number of sale transactions by RDCK region

In the RDCK, lands tend to be concentrated in narrow valley corridors, between steep mountains and along rivers and creeks. Between 2006 to 2018, of the 1,813 sale transactions used in this analysis. Forty percent (734 transactions) of the total occurred in the area around Creston (blue circle) (Figure 2, page 2). The areas around Nelson (green circle) had 615 transactions (34%). In the northwest around Nakusp (purple), there were 295 parcels (16%) sold. The southwest around Salmo (red circle) had 83 transactions (5%). Finally, around Kaslo (black circle) in the northeast, there were 86 transactions (5%).

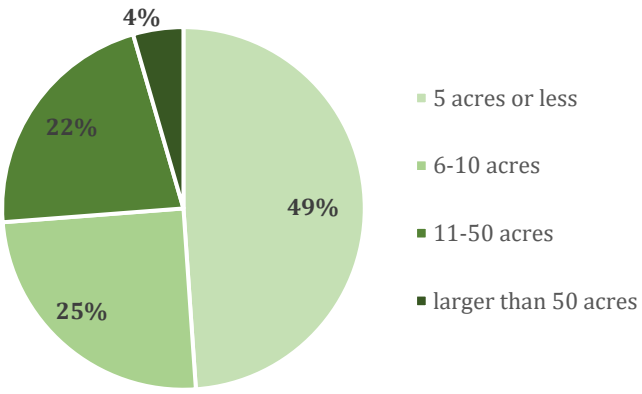
To a great degree, these results represent the allocation of ALR land within the RDCK. For example, the area around Creston has the most consolidated land base. (Agricultural Land Commission, 2018; Regional District of Kootenay, 2018). Buyer preference could also contribute to sale transaction, as areas around Creston are known for having prime agricultural land. However, this is only relevant if parcels are bought with the intention to farm (BC Ministry of Agriculture, 2017).

Figure 2: Location of parcels sold in the RDCK, 2006 – 2018.



Source: BCA, 2019

Figure 3: Percentage of sale transactions by parcel size category in RDCK, 2006 - 2018



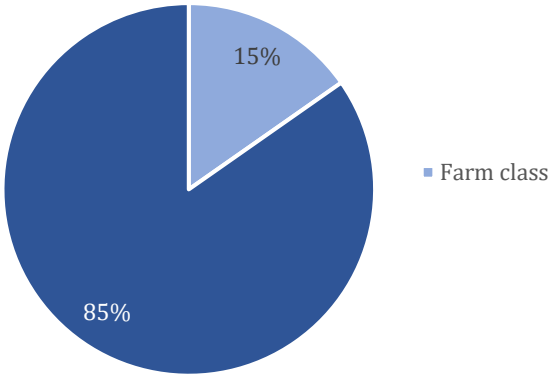
Source: BCA, 2019

Parcel size

The average size of an ALR parcel that was sold between 2006 to 2018 was 6 acres while the median was 13 acres. The largest parcel was about is 770 acres while the smallest was 0.1 acre.

Parcels of 5 acres or less were the most important contributor to the overall sales (901 transactions, 49%), followed by parcels 6-10 acres (447 transactions, 25%), and parcels 11-50 acres (391 transactions, 22%). These three categories represent more than 95% of all the transactions (Figure 3).

Figure 4: Percentage of sale transactions by farm class in RDCK, 2006 - 2018



Source: BCA, 2019

Farm class status of sold parcels

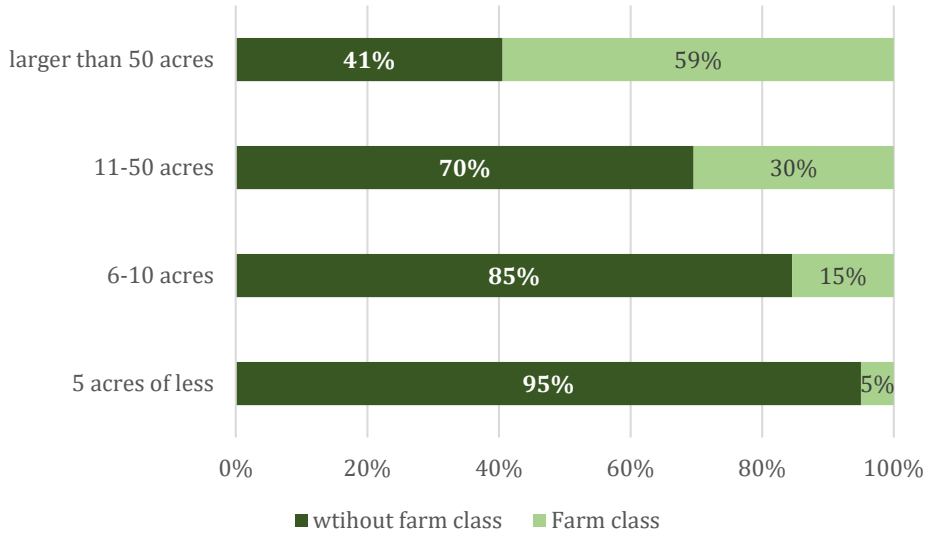
During the study period, properties without farm class designation represent 85% of the sales, while properties with farm class designation represent 15% (Figure 4).

As was noted in the 2016 ALUI, smaller parcels are less likely to be farmed (BC Ministry of Agriculture, 2017). This BCA data of parcels sold during 2006 to 2018 indicate a similar trend.

When breaking down farm class status by parcel size, results suggest that 5% of parcels 5 acres or less are classified under farm class. For parcels greater than 5 acres, this percentage increases significantly ranging between 15%-59% (Figure 5, page 2).

The difference in sales of these two property classes reflects the overall abundance of parcels based on property class. Additionally, the data suggest that a property without farm class is more likely to be sold than a property with farm class. A lower number of sale transactions for parcels classified under farm class may be attributed to a tendency of the owners to own the parcel of land for a longer time – selling only when they want to stop farming at that location.

Figure 5: Percentage of sale transactions by farm class and parcel size category in RDCK, 2006 - 2018

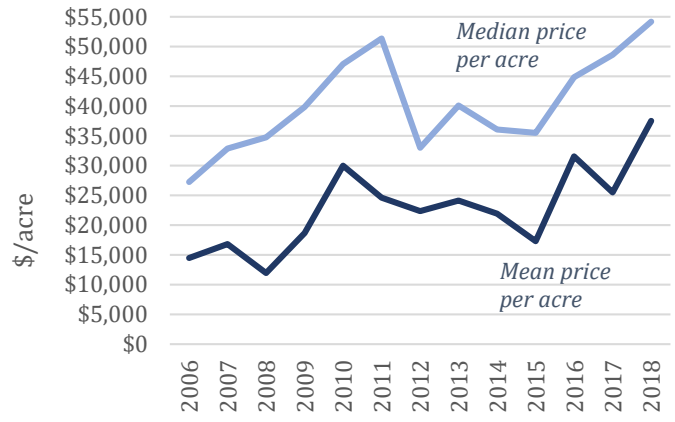


Source: BCA, 2019

Annual average (mean and median) price per acre

Since 2006, despite volatility in price, both median and mean price per acre showed an increase trend. Compared to 2006, the mean price of an ALR property has increased from $14,000 to $37,000 (or about 160%). During the study period, the median price per acre was always greater than the mean price per acre (Figure 6). This implies that each year there were typically more parcels that have high price per acre values (the smaller the size of a parcel, the larger the price per acre).

Figure 6: Mean and median price per acre of sold parcel in RDCK by year (adjusted for inflation using 2018 value)

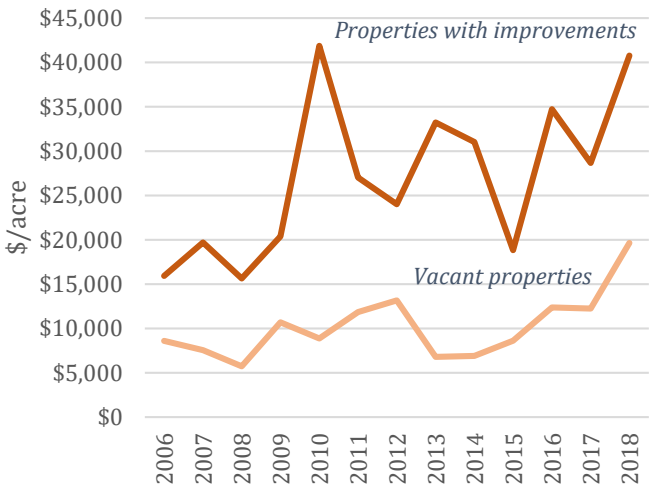


Source: BCA, 2019

For example, in 2018, there were 169 properties sold. About 34% (57 parcels) of the total number of transactions had the price per acre greater than $100,000. All of them were small parcel, 5 acres or less.

In this report, from this point onward, the mean price per acre will be used in all the analyses and referred to as an average price per acre. There are many factors that determine the price of a property. The next sections will discuss a few of these factors.

Figure 7: Average price per acre by improvements class of sold parcels in RDCK, by year (adjusted for inflation using 2018 value)

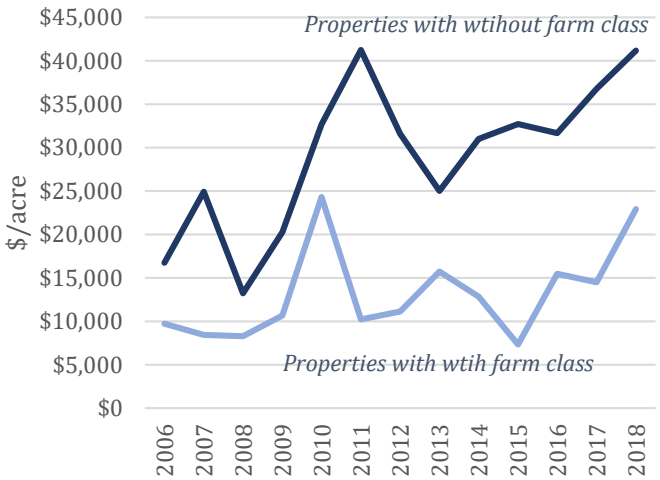


Source: BCA, 2019

Average price per acre by improvements class

Improvements on a property is defined by BCA as "any building, fixture, or other similar structure attached to land or another improvement". These improvements contribute directly to the value and price of a property. The in the RDCK during the study period, on average, the difference in sale price of a property with improvements and a vacant property ranged between $7,000 and $26,000 per acre (Figure 7).

Figure 8: Average price per acre by farm class of sold parcels in RDCK, by year (adjusted for inflation using 2018 value)



Source: BCA, 2019

Annual average (mean and median) price per acre

When properties were separated into those classified under farm class and those classified under other classes (without farm class), the results showed that properties without farm class always had higher average price per acre compared to properties with farm class. on average, the difference in sale price of a property with improvements and a vacant property ranged between $5,000 and $30,000 per acre (Figure 8).

Average price per acre by RDCK region

The average price per acre in each region fluctuates greatly during the study period. During the 13-year study period, Nelson and Creston consistently were the area in which ALR properties had the highest average sale price per acre. Table 1 shows the average price per acre of ALR parcels in each region of the RDCK. The cell with the highest price in each year is highlighted in yellow.

Table 1: Average price per acre of sold parcels in each RDCK region, 2006-2018

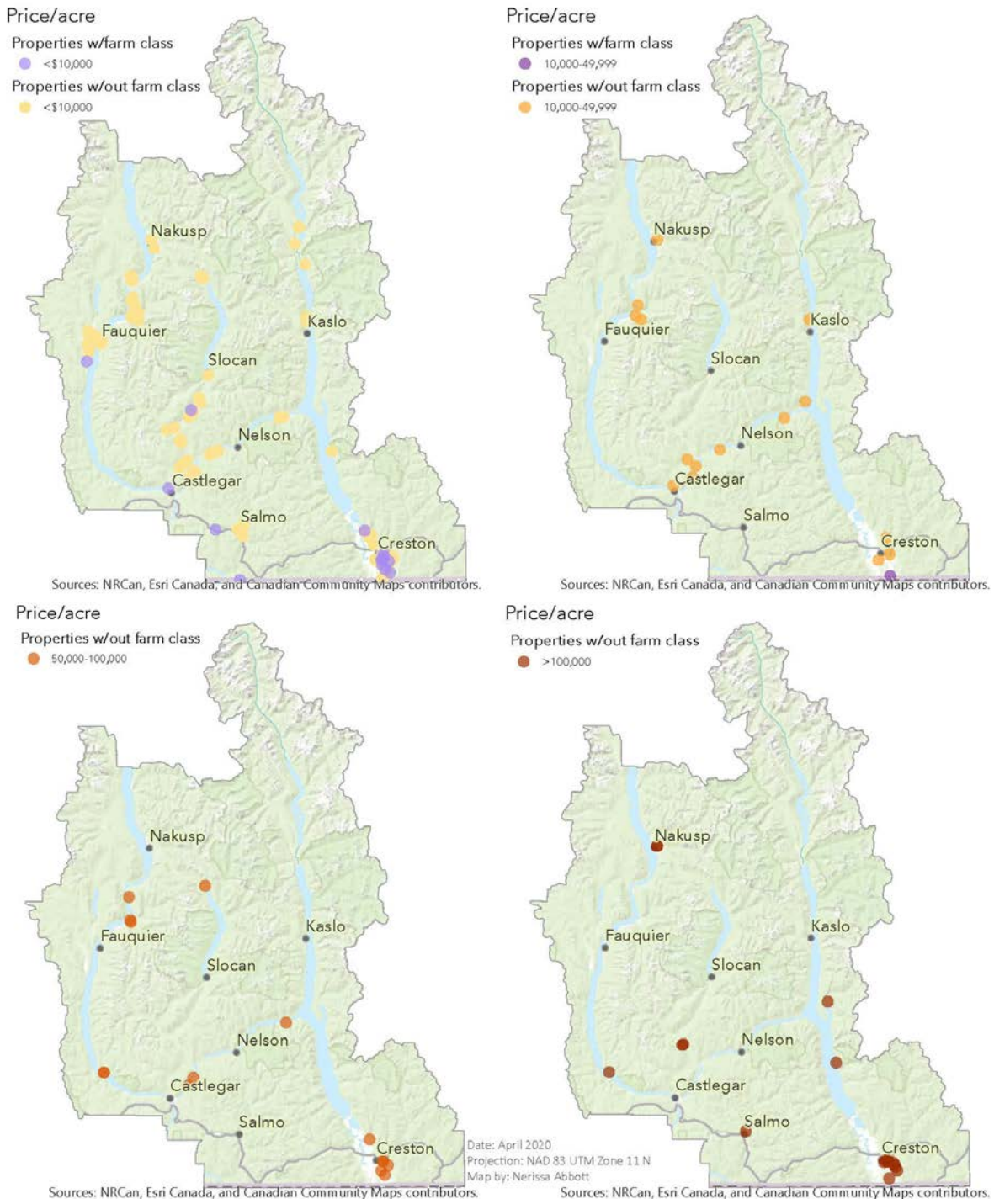
Year	Average price per acre ($/acre)				
	Creston	Nelson	Nakusp	Kaslo	Salmo
2006	17,613	16,460	14,182	3,454	11,084
2007	13,013	31,431	14,482	22,367	9,282
2008	13,522	20,165	7,219	4,745	7,876
2009	12,365	45,234	29,673	5,162	8,632
2010	36,315	30,139	24,714	29,398	17,017
2011	17,820	51,590	25,674	8,118	31,566
2012	20,893	26,396	18,637	20,376	35,948
2013	28,772	34,313	7,422	28,453	10,224
2014	18,689	38,102	19,390	24,251	17,750
2015	13,658	38,512	15,193	12,963	20,447
2016	38,143	27,707	20,011	30,756	10,831
2017	23,422	40,540	15,851	21,518	24,871
2018	54,815	42,160	23,766	30,583	18,245

Location and price range of properties with and without farm class status in 2018

As illustrated in Figure 4 (page 2) and Figure 5 (page 2), the number of properties without farm class status is much greater than those with farm class status. In 2018, there were 168 properties sold in the RDCK. Fifteen of which (9%) were assessed under farm class while 153 (91%) were not. On average in 2018, a property assessed under farm class had a price per acre of about $23,000 which was about 50% less expensive than an average property without farm class.

The location of each individual property is presented in Figure 9 and categorized by farm class status and price range. Note that the bottom two panels do not show any properties assessed under farm class, emphasizing the fact that ALR lands sold at a higher price are rarely used for farming.

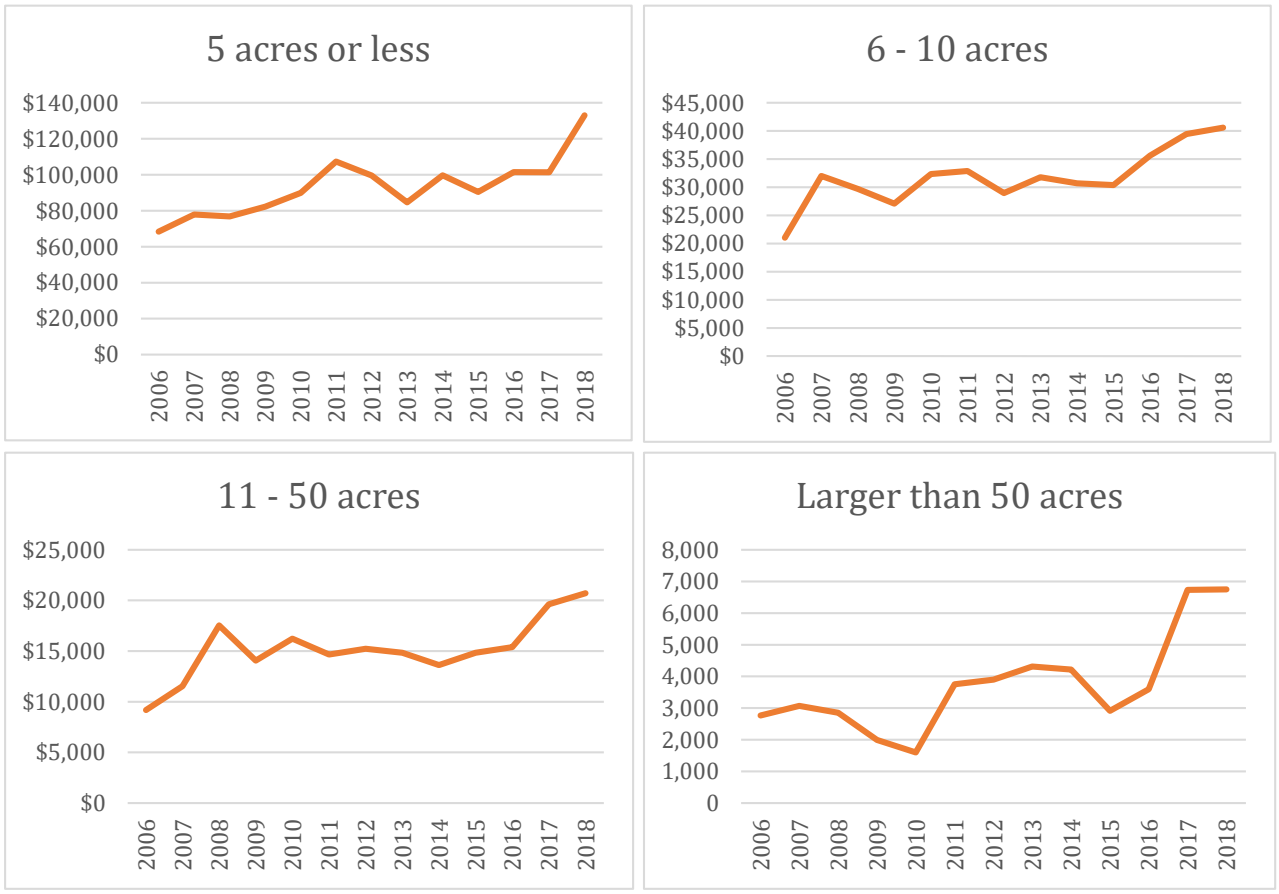
Figure 9: Location and price range of parcels under farm class and without farm class in the RDCK, 2018.



Average price per acre by land size

The price per acre of properties 5 acres or less was highest compared to other parcel size categories (Figure 10). During the study period the average price per acre for this size category was between $60,000 to $140,000/acre. As the property size gets larger, the average price per acre drops. For properties larger than 50 acres, the prices were between about $1,500 to $7,000/acre.

Figure 10: Average price per acres of sold parcels in RDCK by farm size, 2006-2018



Source: BCA, 2019

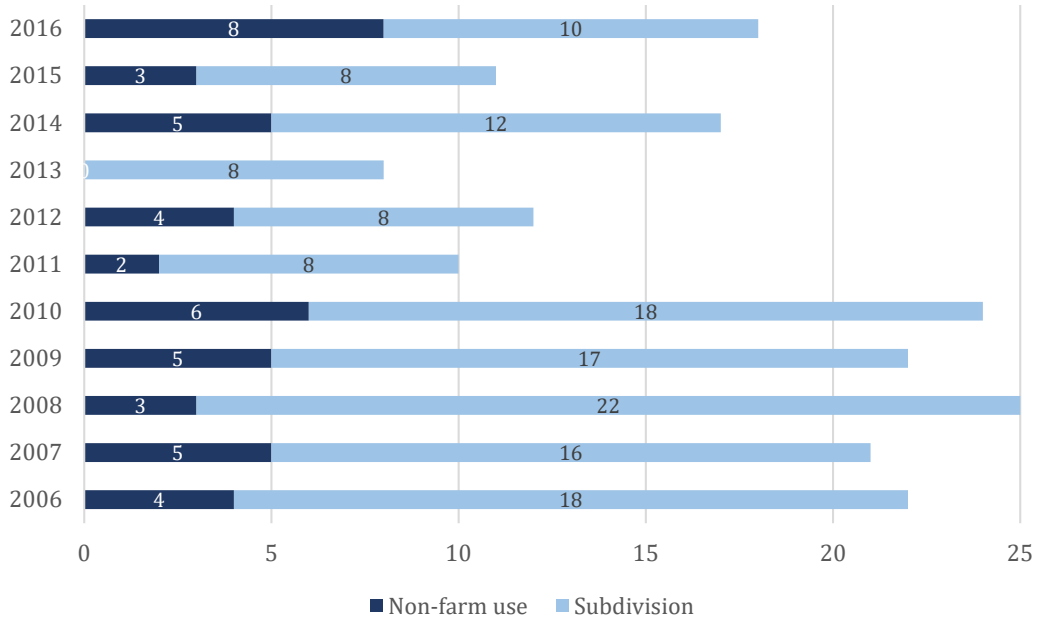
4. Analysis of non-farm use and subdivisions of ALR lands

The ALC Act and ALR General Regulation and Use Regulation define types of land use permitted on ALR lands. However, landowners may file applications directly through the ALC online application portal for land use changes. An application will be first reviewed by a local municipality where the land is located (often first by the municipality's 'Agriculture Advisory Committee', and then by Council). The municipality may decide to reject the application at this stage or forward it to the ALC. This section provides information on non-farm use and subdivision applications of ALR lands in the RDCK that have been forwarded to the ALC from 2006 to 2016. Only approved applications have been analyzed.

Number of non-farm use and subdivision applications

During the 11-year study period, there were a total of 190 applications. Of which 45 were for non-farm use activities and 145 were for subdivisions. For each year analyzed, there were more subdivision applications than non-farm use applications.

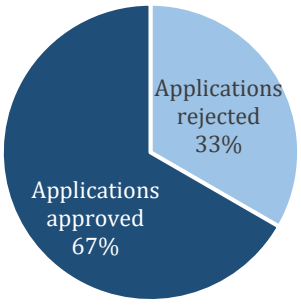
Figure 11: The number of non-farm use and subdivision applications in the RDCK, 2006-2018



Source: ALC, 2019

Of the total applications, 128 (67%) were approved while 62 (33%) were rejected (Figure 12, page 2). Decisions to approve or reject applications are made on a case by case basis. Generally, the ALC will approve an application if the proposed activity will enhance agriculture or will not create an adverse impact (based on existing capability, isolation from other ALR parcels, and external threats).

Figure 12: Outcomes of non-farm use and subdivision applications in the RDCK, 2006-2016.

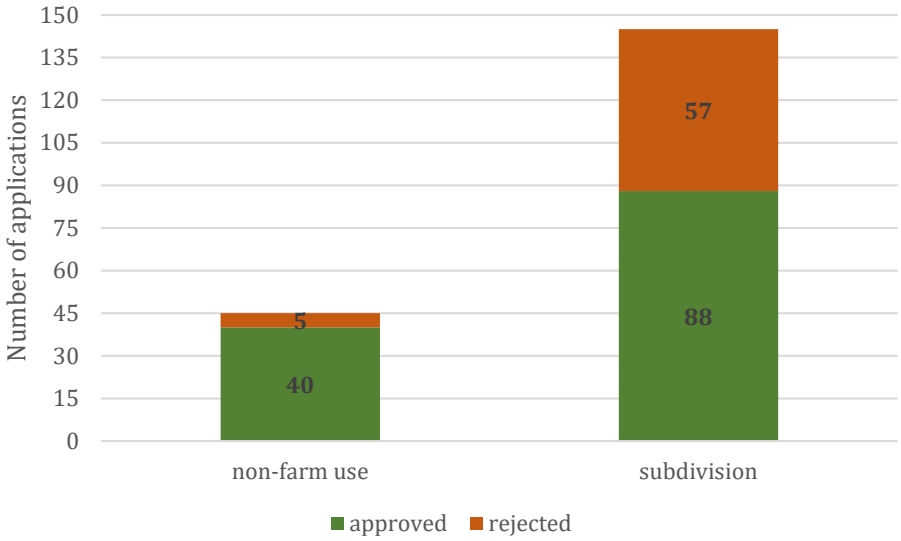


Source: ALC, 2019

Additionally, the ALC gives priority to community needs – e.g.: economic, cultural and social; and land use planning through OCPs and bylaws which it is involved in creating (ALC, 2009 & 2019). Furthermore, it will impose any conditions necessary to enhance agriculture, and/or eliminate or minimize the impact so that the benefits of an application equal or outweigh any negative consequences.

Of all 128 approved applications, there were 88 subdivision applications and 40 non-farm use applications (Figure 13). In general, the percentage of approval in the non-farm use category (40 out of 45) was higher than the percentage pf approval in the in subdivision category (88 out of 145).

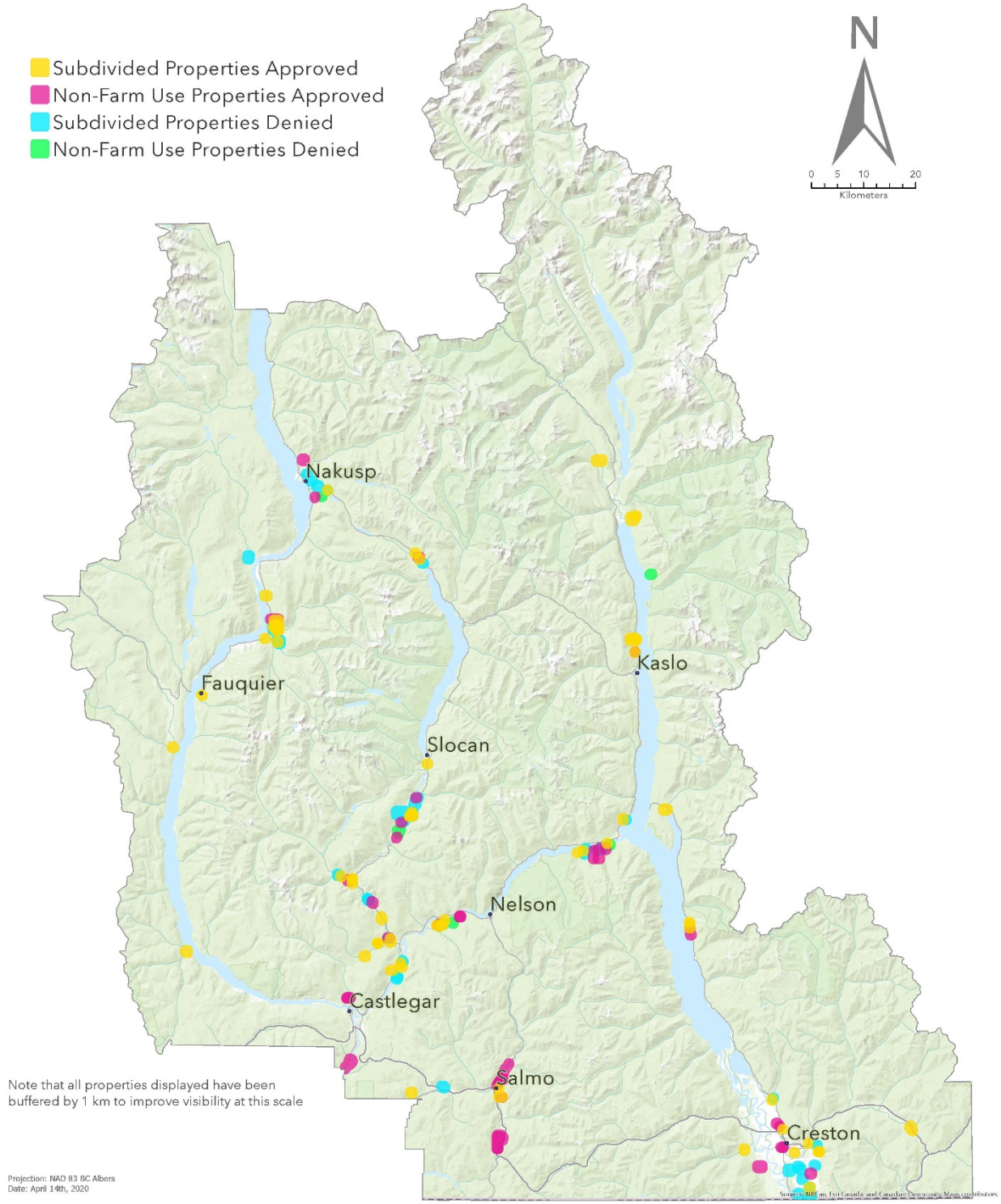
Figure 13: Total number of non-farm use and subdivision applications that were approved and rejected in the RDCK, 2006-2016.



Source: ALC, 2019

Locations of properties with non-farm use and subdivision applications are shown in Figure 14 (page 2).

Figure 14: Locations of properties with non-farm use and subdivision applications in RDCK, 2006 - 2016



Source: ALC, 2019

Subdivision activities as described in applications

There were three main sub-types in the subdivision group: subdivision, boundary adjustment, and consolidation.

First, subdivision refers to an application where a single parcel is divided into two or more legal parcels. Applications in this category were made to: grant a portion of property to kin, sell a portion of property, subdivide along a human-made (road) or natural feature; separate dual ownership of land, or separate two houses with distinct ownership; expand a subdivision; segregate an ALR portion of land and include remaining plots; encourage farming activities; respond to a previously denied subdivision application, and possibly propose a new configuration; build a residence or legalize a pre-existing dwelling.

Second, boundary adjustment refers to an application where the boundaries of two separate parcels are modified to increase the size of one parcel and decrease the size of the other. Applications in this category were made to: include a parcel in the ALR; organize space into residential versus agricultural areas where housing already exists; or in contrast, combine a residence with farm infrastructure and fields where the agricultural activity occurred; combined with subdivision, to accommodate pre-existing dwellings and consolidate with existing infrastructure such as septic tank or roads. In most cases, no specific reason is giving as to why the applicant wished to adjust or realign boundaries of parcels.

Third, consolidation refers to an application where two separate parcels are combined to form one single legal parcel. Applications in this category were made to: create a new public access road, while consolidating a water system with an old access road under one legal parcel; combined with subdivision, to take a small piece of land from one parcel and consolidate it to the ALR parcel, so that an access road could be created; and segregate ALR land from non ALR land, and then consolidate it with a bigger ALR parcel.

The ALC tends towards approving a subdivision application (all types) to segregate low capability soils from higher capability, or actively farmed areas from non-farmed areas, and to synchronize parcels – e.g.: to create parcels congruent with other ALR properties in the same area. They approved subdivisions that contributed to agriculture by adding improved land, increased efficiency and utilization by allowing access, removed an impediment (a highway within a single parcel) created a bigger single parcel, or consolidated farm infrastructure. When necessary, they required buffering and placement of 'no-build' covenants to mitigate adverse impacts. The majority of subdivision applications were considered not to have any adverse impact, and a limited number were approved because of the home-site severance policy. If a parcel was isolated from agriculture use due to an unconducive climate, or neighboring non-farm uses, the ALC was likely to judge that the application would not adversely impact agriculture. In 2008 and 2009, the ALC saw a trend in applicants wishing to subdivide so that a portion of land could be sold to subsidize the agricultural operation (ALC, 2009).

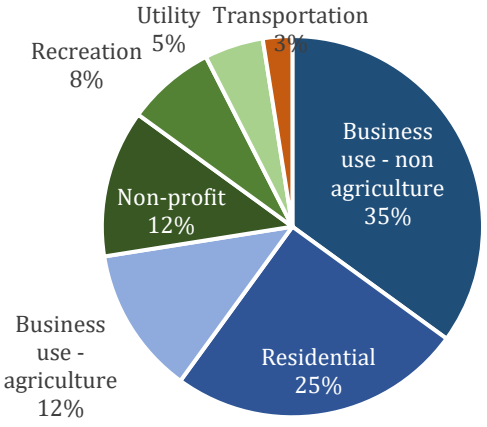
Non-farm use activities as described in applications

There were seven sub-categories in the non-farm use activities. These categories are:

1. Business – agricultural related: Any use that facilitates the operation of a farm business, for example a storage unit for produce or facility for processing raw agricultural product including timber, and any equestrian facilities. Agri-tourism was not included in this category unless the non-farm use was related to a winery, cidery, or brewery venture.
2. Business –non agriculture: Any use that facilitates the operation of a non-farm, for profit business. Agri-tourism ventures such as a B&B, cabins or wedding venue were included in this category.
3. Non-profit: Any use that facilitates the operation of a non-farm, non-profit business. This category includes various business such as churches, public hospitals and care facilities, educational institutions, and not-for-profit societies.
4. Recreation: Any non-farm use for the purpose of recreation and leisure that is not directly related to a business venture – a golf course is not included in this category but a recreational trail built by the city is.
5. Residential: The application seeks approval for a pre-existing illegal dwelling or is requesting the ability to create a new temporary or permanent dwelling.
6. Transport: The application is submitted to create new roads or transportation corridors, or modify pre-existing roads and corridors.
7. Utility: The application is submitted to create dykes, sewers, or water systems; or to modify pre-existing utilities.

The most common three types of non-farm use activity were for: businesses that were not related to agriculture (35%), followed by residential use (25%), and agricultural businesses and non-profit activities (both at 12%) (Figure 15). Other non-farm uses were for recreation facilities/areas (8%), utility (5%) and transportation purposes (3%).

Figure 15: Types of non-farm use activities stated in applications to the ALC in the RDCK, 2006-2016



Source: ALC, 2019

Of all the applications, the rationale for approval was either because the proposed activity would contribute to agriculture (such as a second dwelling for farm workers, expansion of a farm machinery repair shop, construction of a community water system) or would have no impact on future land use. In some cases, adverse impacts may have been anticipated but land remediation was required as a condition of approval or it may have been that the social benefits outweighed the impacts to the ALR land.

5. Property sale and non-farm use and subdivision activities

This section combines BCA data on property sale and ALC data on properties with approved non-farm use and subdivision activities. The variable used in joining of the two databases was the parcel identification number (PID) which is a unique number given to individual parcels. However, not all records were found. In some cases, the PIDs given in the applications could not be found in the BCA database (Table 2). This could be because those properties have been assigned new PIDs, particularly post-subdivision.

Table 2: Records of sale transactions of properties with approved non-farm use and subdivision applications

	Property with approved subdivision applications	Property with approved non-farm use application
Number of properties that were sold during 2006 – 2018 (% in parentheses)	39 (44%)	17 (43%)
Number of properties that were not sold during 2006-2018 (% in parentheses)	27 (31%)	21 (53%)
Number of properties that cannot be identified in BCA database (% in parentheses)	22 (25%)	2 (5%)
Total	88	40

Table 2 indicates that about 40% of all properties whose owners had applied for non-farm use and subdivision were sold once during the period from 2006 to 2018. Table 3 provides further information on and when the non-farm use or subdivision applications were approved relative to the time when the properties were sold.

Table 3: The time in which a property was sold compared to the time in which non-farm use and subdivision applications were approved.

	Property with approved subdivision applications	Property with approved non-farm use application
Number of properties that were sold before the year that the applications were approved	4 (10%)	11 (65%)
Number of properties that were sold in the same year that the applications were approved	2 (5%)	2 (12%)
Number of properties that were sold after the year that the applications were approved	33 (85%)	4 (24%)
Total	39	17

Properties with approved subdivision applications have a high percentage of sale occurring in the years after the applications were approved. Conversely, properties with approved non-farm use applications have a higher percentage of sale occurring in the years before the applications were approved. One explanation could be that landowners have the intention of selling parts of their properties; hence they have to apply to subdivide their ALR lands. Another explanation could be that landowners are more likely to submit for non-farm use applications after purchasing ALR lands because they may want to conduct new ventures on their lands. However, generalizations should not be made without further investigations on individual applications or additional information. For example, future analysis may look at the history of farm class status of parcels that were sold and had non-farm use applications.

Acknowledgement

This report was funded by the Central Kootenay Food Policy Council as part of the Evidence-based food system policy development project.

Contact Information:

Questions regarding the analyses in this report can be directed to Dr. Wallapak Polasub (wallapak.polasub@kpu.ca). For more information on the Institute for Sustainable Food Systems can be found at: www.kpu.ca/isfs

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