



Photo by Ruth Heide Richard Cline presents the New Generation Farm proposal to county commissioners and others on Thursday. From left are Cline, Mineral County Commissioner Zeke Ward, U.S. Representative John Salazar Aide Erin Minks and Saguache County Commissioner Sam Pace.

Group talks major land purchase

Posted: Thursday, Nov 29th, 2007

BY: Ruth Heide

Cline presents proposal to counties

ALAMOSA – An outside investment group with \$528 million to spend is interested in buying up 50-plus percent of the San Luis Valley’s land and associated water with the intended purpose of leasing it back for farming operations.

Many officials meeting with the group’s liaison Alamosa insurance agent Richard Cline on Thursday questioned how beneficial this proposal would be for the Valley.

Representatives from all six San Luis Valley counties as well as legislative aides for U.S. Senator Ken Salazar and U.S. Representative John Salazar and SLV Development Resources

Group (DRG) board and staff heard Cline's presentation.

Cline said he was working with an index fund looking for an intermediary in the San Luis Valley.

He said the index fund is a group of investors out of California who are looking "to do a tremendous investment in the San Luis Valley to basically maintain and manage the land." Cline said the people involved in the index fund are environmentalists and want to make sure the Valley's water does not disappear and that the Valley's agricultural economic base continues.

"It's not AWDI [American Water Development Inc.]," he said. "It is not a water move. I don't want to be another Gary Boyce ... I have been in the Valley all of my life and plan on staying here ... I think we can manage the land, manage the water and produce a good economic base that would help the San Luis Valley as a whole."

Cline said he has put together a corporate farm he is currently calling New Generation Farm that would be leasing from the index fund the land that the index fund wants to buy.

He said the index fund wants to purchase as much as 50-60 percent of the land in the Valley and is willing to pay \$1,950-2,200 an acre or more depending on the quality of the property. The index fund would buy the land from the farmers and the money would go through an intermediary such as DRG which would lease the land to New Generation Farm which in turn would lease it back to farmers.

Cline said the investors want to spend about \$528 million and buy as much land as possible. They want a return on their investment of 7 percent, he said. That means 7 percent has to be guaranteed by the intermediary to pay the investors every year, he said. Cline said the 7 percent would be locked in for a period of time but might be increased in the future.

He said when land is bought, 7 percent of that would go into a reserve account so the first year payment to the index fund would already be on hand.

He said the intermediary would receive one-fourth of one percent of what is generated or \$400,000-800,000 a year.

Cline said the index fund investors are saying at least 50 percent of the profits from the New Generation Farm have to be given back to the San Luis Valley through a foundation that would dispense it to applicants such as schools, municipalities and counties.

In addition, he said the intermediary would have funds to guarantee farmers' loans with their bankers since the farmers would no longer have their land as collateral. Farmers would be allowed to retain their houses and machinery, however. Banker David Broyles said it is harder to make a loan to a tenant farmer than a farmer who owns his land.

Cline said if New Generation Farm was not profitable and the investors did not get their required return on investment, the index fund that owns the land and the water could take it back.

Saguache County Commissioner Sam Pace said it sounded to him like what the investors were doing was "kind of reaping all the future growth because they maintain ownership."

Rio Grande County Commissioner Doug Davie said when AWDI came in, he prepared to sell his place to them because they presented themselves as a group of investors from Wyoming who had no interest in water. He said he was able to get out of the deal and retain his agricultural land in the end but had a difficult time.

"The problem with AWDI is they were greedy. They wanted all the money for themselves," Cline said. "The New Generation Farm wants to keep the Valley whole."

Mineral County Commissioner Zeke Ward said he had seen what has happened to other places that literally dried up and did not want to see that happen in the Valley.

Cline said the contracts with the index fund would require that the water would never be sold. It could be leased however, he said.

Bob Rael, Costilla County economic development spokesman, asked if the investors planned on leasing water to metropolitan areas. Cline said they did not plan on that at this point but were aware of the possibility.

Conejos County Administrator Thressa Martinez questioned the effect on neighboring properties of the potential for surface water rights to be leased as a commodity. She said although Cline said this was not a water grab, water is an issue with this project. "If I sell my property and that water goes someplace else, I am putting my neighbor at risk if they don't sell. I personally see a potential for that."

Cline said he could not say that in 10 years the Valley's economic base might not require leasing its water "but right now that's not the intent."

He said New Generation Farm would do whatever it needed to do to make the 7 percent return on investment so the index fund would not take back the land so if that meant leasing some of the water, the farm would do that.

"I would like to see the project done," Cline said. However, he said if he could not convince a group like the commissioners and DRG that this would benefit the Valley, he would probably walk away from it too.

Wisdom suggested that the Valley itself could accomplish the same goals as this index fund is proposing. "Why don't we form

the water bank and make sure the water is leased to serve the basin? We control the asset ... We could probably find investors.”

Most of the commissioners present said they wanted to meet with the investors to get more information before making any kind of decision. Wisdom said DRG is also still in the information gathering mode. “There’s no way there’s an endorsement of any sort. We absolutely have to have more data, more information.”

Cline said the investment group might be available on December 12 to meet with DRG and county officials and provide more specific information.

“We don’t want the land or water to disappear,” Cline said. “We need to pay attention to what we have here folks or it is going to be gone ... Even if we don’t head this direction maybe this will get everybody off ground floor and maybe we can make something happen.”