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Questions and Answers about Oregon's Land Use Program:

The Farm Income Standard

Q: ***What is the "$80,000 standard," or "$80,000 test"?***

A: ***A rule developed by the Land Conservation and Development Commission (LCDC) in 1994 to protect Oregon's agricultural industry. The standard is designed to determine who is eligible to build a farm dwelling on Oregon's best agricultural land.***

The so-called "$80,000 test" states that farm dwellings are allowed on tracts of *high-value farmland* (approximately 25% of the land zoned for exclusive farm use in Oregon) which have generated $80,000 in *gross farm income* (i.e., farm sales) during each of the last two years or three of the last five years.[1] For non-high value farmland (which includes most of the farmland outside the Willamette Valley), there are different, more lenient criteria.

Q: ***What's wrong with houses on farmland?***

A: ***To maintain Oregon's strong agricultural economy and heritage, farmland must be available at a cost that reflects its value for farm use, not residential use.***

Oregon's farmland is the factory base for a $3.5 billion industry. Increased non-farm housing threatens the availability and affordability of farmland and the profitability of farming. It also leads to conflicts between farmers and non-farmers over agricultural practices.

Q: ***Why did LCDC adopt income criteria for farm dwellings?***

A: ***The criteria aim to ensure people building farm dwellings are actually engaged in commercial agriculture. Existing standards were not working, and no feasible alterative has been proposed.***

The income criteria were developed to implement statutory language allowing "dwellings customarily provided in conjunction with farm use."[2]

LCDC adopted the criteria because existing standards were not working. Research commissioned by the 1989 Legislature found 75% of the "farm dwellings" approved by local governments were not related to commercial farm operations; they were rural residences or "hobby farms."

No one has yet come up with a better way of identifying bona fide farmers who should qualify for a farm-related dwelling. LCDC has studied and rejected numerous alternative approaches, including "income capability" and "prudent investor" tests. These tests either have a track record of failure, consistently authorizing houses unrelated to agriculture on our best farmland, or carry too great a risk of being used to allow such houses. Other standards that would adequately protect farmland have also been rejected after being criticized by non-farm interests as too tough.

Q: ***Isn't $80,000 a lot of money?***

A: ***No. The $80,000 standard refers to gross farm income; meaning a net income of around $14,500.***

On average, Oregon farms generating $80,000 in annual gross income earn a *net* income of about $16,000, which is less than half of Oregon's median household income.[3] The $80,000 threshold allows both part-time and full-time farmers to build houses on their land.

Q: ***If you cannot meet the income standard, can you still build a new house on your land?***

A: ***Maybe. There are several other ways to get a new house on farmland, including: 1) nonfarm dwellings; 2) "lot-of-record" dwellings; and 3) family help dwellings.[4] These address most special circumstances where we might want to allow new houses on high-value farmland.***

Furthermore, the $80,000 gross income standard applies to only the 25% of the state's farmland that is high-value farmland. There are different rules for farm-related dwellings on the remaining farmland.

Since LCDC adopted the $80,000 standard in 1994, the total number of houses approved each year in Oregon's exclusive farm use zones has *increased*. Counties approve over 1,000 houses every year in Oregon's exclusive farm use zones. However, the number of new farm dwellings approved in the Willamette Valley, which has much of the state's best farmland, has significantly decreased.[5]

Oregon also has over 780,000 acres of land zoned for low-density rural residential development--more land than in all of Oregon's urban growth boundaries. These lands are not yet fully developed.

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Q: ***Isn't the $80,000 gross income standard elitist, allowing only rich people to qualify for a house?***

A: ***No. The $80,000 standard is democratic – it requires anyone who wants to qualify for a house on high-value farmland to* earn *the same amount of money* from farming.**

Income from nonfarming sources cannot be considered. Whether you are a former high-tech executive, or a former schoolteacher, you must demonstrate the same level of success in farming before qualifying for a house.

Q: ***Isn't the inability to build a new house a major obstacle to farmers who are just starting out?***

A: ***No. Farmers generally do not start out in agriculture by building a house. The primary obstacle to starting or expanding a farm operation is a lack of affordable and available farm parcels, not a lack of houses.***

There are already too many houses in farm zones, not too few. For example, housing densities in high-value agricultural areas in Hood River, Washington, and Clackamas Counties already exceed one house for every 20-30 acres, even though the average farm is much larger.

A viable option for young farmers who want to live on the farm is to buy farmland with a house on it.

Q: ***Why is the cutoff at $80,000?***

A: ***The average commercial farm in Oregon grosses well over $80,000. LCDC wanted to allow new houses for part-time and small-scale farmers, as well as full-time farmers, while simultaneously protecting Oregon's agricultural land base.***

In 1997, the average gross income for all Oregon farms—excluding hobby farms[6]—was $224,000 annually.[7] In 1995, the Department of Agriculture calculated average gross incomes for three typical family operations in Oregon: 1) nursery operations in the Tualatin Valley area, $300,000; 2) cattle, wheat and hay operations in Eastern Oregon, $160,000; and 3) diversified row crop operations in the Willamette Valley, $250,000.

Earning $80,000 gross means, on average, a *net* income of about $16,000, far less than half the average household income. Many farmers object to the $80,000 gross income test as too low.

Q: ***Why does the $80,000 standard apply to all tracts of farmland, regardless of size?***

A: ***Small parcels are a critical part of the agricultural base, and should remain in farm use.***

Many farmers run operations consisting of multiple small parcels, often several miles apart. While a particular parcel might not be large enough to generate $80,000 in sales, even a small tract of high-value farmland can still contribute to a productive farm. However, the same parcel with a house on it is generally unaffordable as agricultural land and is thus much more likely to fall out of production.

The fact that the income test prevents houses from being built on small parcels means the test is succeeding at preserving this land for commercial agriculture in Oregon.

Q: ***Not all of Oregon is as productive as the Willamette Valley. Why don't our land use laws recognize regional differences?***

A: ***They do, in several ways. Oregon's laws protecting farm and forestland recognize differences in land quality and location, and thus include different standards for development.***

For example, the $80,000 gross income test applies *only* to high-value farmland – the approximately 25% of our state's farmland capable of producing high-value crops. Therefore, about three-quarters of Oregon's farmland is not subject to the $80,000 test. Regardless of location, $80,000 is a meager gross income on high-value soils.

Other farm and forest laws vary by region and activity, including "lot of record" dwelling laws and minimum lot size requirements for farmland and rangeland.

Q: ***Is the $80,000 standard really necessary?***

A: ***The income test provides an objective way to achieve a legitimate policy goal. It is that goal--ensuring that people who build farm houses are actually engaged in commercial agriculture--that is important, not the income test itself.***

Most of the people who oppose the $80,000 standard actually object to the larger goal of protecting farmland from conversion to rural residential use.

Policymakers must decide whether the long-term value of keeping high-value farmland available for agriculture is more important than having these farmland tracts available for real estate development and speculation. Those tests used before 1994 did not separate the farmers from the speculators. The farm income test does.

Sources:

1 The $80,000 rule requires an inflation adjustment; if counties use the Consumer Price Index, it is now around $94,000.
2 ORS 215.283 (1)(f); ORS 215.213(1)(g)
3 Report on Evaluation of Income Criteria for Farm Dwellings, DLCD, Dec 29, 2000. Median Oregon income in 1999 was $38,669 (Oregon Progress Board).
4 ORS 215.284; 215.705; and 215.213 (1)(e) and 215.283(1)(e), respectively.
5 Report on Evaluation of Income Criteria for Farm Dwellings, DLCD, Dec 29, 2000.
6 Defined by Oregon Dept. of Agriculture as farms grossing less than $10,000 a year.
7 1997 Census of Agriculture, Oregon.