

# Creating Nonprofit Community Farms

A Guide to  
Forming a Nonprofit • Getting Land • Getting Insurance



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### DISCLAIMER:

The content of this book should not be relied on as legal advice. This booklet has been prepared as a handout for a workshop on nonprofit community food projects in California’s San Joaquin Valley. Information in this booklet could become outdated, or laws could be different from place to place. We tried to collect accurate information, but some information could be wrong.

## FORMING A NONPROFIT FOR COMMUNITY FOOD PROJECTS

### A. WHY DO PEOPLE FORM NONPROFITS?

People form nonprofits for several reasons, but community groups are often interested in obtaining tax-exemption so that they can qualify for specific kinds of donations and grant funding. Community groups sometimes form a nonprofit to participate in specific programs that are only open to nonprofit organizations, or to limit their legal liability if someone sues them. Nonprofits can participate in the food system in many ways, such as by operating small farms, farmers markets, food stands, soup kitchens, seed libraries, and commercial kitchens. But at the same time, nonprofits' abilities to take part in these activities are limited by the rules governing tax exemption.

There are two parts to forming a nonprofit. First, a public benefit nonprofit corporation is formed by filing papers with state in which you operate. Next, the corporation seeks tax exemption by applying to the federal and state governments and demonstrating that the nonprofit operates to serve specific purposes that federal and state authorities consider to be tax exempt. When a nonprofit tries to earn income from its activities, it is important to determine whether that activity will be acceptable within the limits of the organization's tax exemption. In this section, we will focus on a common nonprofit used in food projects: a public-benefit nonprofit corporation that is tax exempt under 501(c)(3).

#### **What is the primary purpose nonprofit?**

Public-benefit nonprofits focus on improving the well being of the public, and their purpose is meant to serve others, not only the members, founders, or staff of the nonprofit. California uses the term "public benefit" to show that the nonprofit's efforts are directed towards the general public, although this does not mean that a nonprofit has to serve everyone.

Tax exemption under 501(c)(3) is available to organizations whose primary purpose is charitable, educational, scientific, religious, or one of a handful of other specific purposes. The federal government describes a "charitable" purpose as an effort to provide relief to the poor or underprivileged; to advance religion, science, or education; to create public buildings or works; to decrease neighborhood tensions; to eliminate prejudice and discrimination; to defend human and civil rights; to support public safety; to foster amateur sports; to prevent cruelty to animals or children; or to combat juvenile delinquency. The state and federal government expect that 501(c)(3) nonprofits will earn their income primarily from a wide number of individual donations, from government grants, or from private foundation grants.

**Producing food, by itself, is not a recognized tax-exempt, charitable purpose.** This means that food-related nonprofits must show how growing or selling food advances a charitable or educational purpose, as defined by the IRS. To determine what kinds of food activities the IRS believes falls within a "charitable" or "educational" designation, you can read rulings where the IRS has examined activities of an organization similar to your activities.

The state and federal government are wary of nonprofits that they believe are using the benefit of tax-exemption to get a competitive edge in the market. Ultimately it is important to distinguish what your central goals are, who you serve, and, if your activities include producing or selling food, where the line is between a business and a charity.

### **Who owns a charitable nonprofit?**

Unlike a private corporation, where individual investors may own the company, public-benefit and charitable nonprofits have no owner, or, in some sense, they are “owned” by the public. If the nonprofit “dissolves,” its assets must be given back to the public, which usually means another charitable nonprofit.

Further, because charitable nonprofits are given benefits that come from the public, each nonprofit must have a Board of Directors that will ensure that the nonprofit is meeting its charitable mission and purpose. Boards of Directors are responsible for overseeing the nonprofit’s activities, monitoring its finances and practices, and providing some form of governance and oversight. Both state and federal agencies want to ensure that the benefits given to nonprofits do not result in private individuals taking these benefits for their own wealth. Instead, the government wants these benefits to serve the nonprofit’s charitable purpose. In California, charitable nonprofits that receive any donations or assets must register with the state Attorney General, who ensures that any assets donated to a charitable nonprofit are given back to the public and not given to an individual.

### **What *can’t* you do with a charitable nonprofit?**

The IRS has very strict rules that say that charitable nonprofits cannot participate in **electioneering**. This means that nonprofits cannot use their resources to support a specific candidate’s campaign or to attempt to influence an election. This bar should not be confused with “getting out the vote” activities. A nonprofit could help register voters or drive elderly and less-mobile residents to the polls, but they cannot conduct these tasks in a partisan way that appears to favor one candidate or political party over another. Additionally, nonprofits may not spend any of their funding, staff, time, or other resources on electoral campaigns.

Charitable nonprofits may, however, participate in **lobbying** (for example, campaigning for or against the passage of a specific bill or ballot initiative), so long as these activities do not take up a significant portion of the organization’s efforts or expenditures. An organization that expects to do lobbying should research the guidelines for how much lobbying is too much lobbying (see [www.afj.org](http://www.afj.org) for more information). Groups that want to spend a great deal of time or resources on creating and advocating for legislation often form 501(c)(4) nonprofit organizations, also known as civic leagues or social welfare organizations.

Finally, over time you may find that a charitable nonprofit, or any form of nonprofit, does not meet your organization’s needs. There are many other types of nonprofits, and several other types of corporations, that may better align with your needs. Each is subject to different business and tax requirements, as well as different governance requirements.

### **Steps to forming a charitable or educational nonprofit in California**

Forming a nonprofit in California is pretty straightforward, but it requires up-front costs and continued reporting, even if your nonprofit is inactive. The government agency responsible for keeping track of all formal organizations, including nonprofits, is the Secretary of State.

1. Write and file Articles of Incorporation with the Secretary of State. There are specific requirements for the Articles of a charitable or educational nonprofit, so check the Secretary

- of State's website for guidelines ([www.sos.ca.gov/business/be/forms.htm](http://www.sos.ca.gov/business/be/forms.htm)). Be sure to request at least one extra certified copy of your Articles.
2. After the Secretary of State has approved your Articles of Incorporation, file a Statement of Information (Form SI-100) with the \$20 filing fee. This Statement will be due every two years for the life of the nonprofit.
  3. File a Charitable Trust Registration form (CT-1) with the California Attorney General's Office, available at <http://oag.ca.gov/charities/forms>.

## **B. UNDERSTANDING TAXES AND TAX EXEMPTION**

Many nonprofits apply for federal tax exemption, also known as 501(c)(3) status, to make it easier to solicit donations, apply for grant funding, and identify resources to support their mission. This does not mean, however, that nonprofits do not have to pay taxes. In fact, many nonprofits pay some form of taxes, whether it's sales tax, property taxes, or business income taxes. This section will help explain what "tax exemption" really means (and what it doesn't), the difference between state and federal tax exemption, nonprofit "business income," and how to apply for tax exemption.

### **What Does "Tax Exemption" Mean?**

Tax exemption is not the same thing as being "tax free." Instead, tax exemption is similar to the government giving you a waiver. Because the government believes your nonprofit's activities and mission serve an important purpose, it will waive your taxes if you can provide appropriate documentation. Tax exemption, then, is similar to a subsidy.

If we think of tax exemption like a subsidy, then it makes sense that the government is trying to support nonprofits by making it easier to earn money. For 501(c)(3) organizations, the IRS subsidizes the nonprofit by waiving its business income taxes, and it subsidizes the nonprofit's donors by allowing them to deduct the value of their donation from their income when they pay for their individual income taxes.

### **The Difference Between California and Federal Tax Exemption**

Federal and state governments regulate income taxes, and states also regulate the businesses and nonprofits in their state. If your organization wants tax exemption, it must apply to the IRS and to your state agency, the California Franchise Tax Board. This is similar to what you do with your own taxes, which must be paid to the state you live in and to the federal government.

### **It's not what you do WITH the money, it's what you do TO EARN the money.**

Many organizations believe that their food business should be tax exempt simply because they reinvest all profits into the nonprofit organization. However, this is a given with any nonprofit—the earnings should not be distributed to private individuals. What matters to the IRS is the nature of the activity that earns the money, and whether the activity is operated with the primary purpose of achieving tax-exempt status.

## **Related and Unrelated Business Income**

The law allows nonprofits to operate income-generating businesses of two sorts: 1) **related** (the income from which IS NOT taxed) and 2) **unrelated** (the income from which IS taxed).

### **Related:**

A “related” business is one in which the activities are **substantially related to the tax-exempt purpose of the organization**. The **primary purpose** of the activity must be to further the exempt purpose, and it must have a **substantial causal relationship** to achieving those purposes. The primary motivation behind the activity and its primary impact should be the furtherance of the tax-exempt purpose; the primary motivation should not be to earn money. **The money that you earn must be incidental to, and not the primary goal of the project.**

When the nonprofit makes decisions about the business activity, it should be with the question: “What will most help us achieve our educational or charitable goals?” and not “How can we earn the most money?” The IRS is especially concerned that nonprofit business activities do not unfairly compete with for-profit businesses. A nonprofit’s **business activity should not be operated on a scale that is larger than necessary** to achieving the tax-exempt purposes.

### *Food Store Example:*

For an example, it is very rare, but not impossible, for the IRS to grant tax exemption to a food store. Some nonprofits have formed small stores or food stands as a forum to educate people about food and health, or as a space to provide job training to unemployed or at-risk individuals. For example, a farm stand that operates to provide temporary job opportunities to parolees, and which serves as an educational forum to teach about nutrition, could, in theory, obtain tax exemption. The store or stand should not be operated on a scale larger than is necessary for the achievement of the exempt-purpose of providing job training and educating the community. If the store starts to look and make decisions like a regular grocery store, then the IRS may ultimately conclude that it is not operating for tax-exempt purposes.

### **Unrelated:**

In contrast to a “related” business, an “unrelated” business can be operated with the primary goal of earning money for the nonprofit, so long as it’s a small portion of the nonprofit’s total activities. Income from such a business is subject to Unrelated Business Income Tax (UBIT), and must be reported in the organization’s annual 990 filing. The purpose of UBIT is to ensure that nonprofits do not gain an unfair advantage if they are competing in a regular market. The most important thing to remember about unrelated business is that it should not become substantial in relation to the nonprofit’s total activities. There is no bright-line rule for determining when the unrelated business has become “substantial,” but the safest thing to do keep it at less than 10 or 15 percent of the organization’s activities or income. If the activity grows and is successful in generating income, the organization may want to create a for-profit subsidiary.

### **For-Profit Subsidiaries:**

If a nonprofit would like to generate a substantial amount of income from an unrelated business, the organization may want to consider forming a for-profit subsidiary. For more information on how to do this, see the following resource:

<http://www.insightcced.org/uploads/publications/legal/707.pdf>

### **Tax Exemption and Farmers Markets:**

Unless a farmers market is operated by a public entity or by the farmers themselves, the market must be operated by a nonprofit organization in order to become a Certified Farmers Market in California. Ironically, while *state* law requires formation of a nonprofit, at the *federal* level, the IRS is somewhat inconsistent in its willingness to grant tax-exemption to nonprofits that operate farmers markets. Many farmers markets have obtained 501(c)3 status, on the grounds that they are operating the market to serve low-income communities, to provide opportunities to disadvantaged farmers, or to provide an educational forum for the community. For most farmers markets, however, it would be hard to make the case that the market is a “related” business (see above), especially for markets in middle-to-upper income communities. Furthermore, the IRS has denied tax exemption to some farmers markets on the grounds that they are inappropriately operating for the benefit of a limited group of farmers. See *Priv. Ltr. Rul. 200818028 (Feb. 8, 2008)*.

If you are organizing a farmers market, you may want to consider seeking tax exemption under 501(c)4. Also, some farmers markets have obtained tax exemption under 501(c)5, 501(c)6, and 501(c)7. These categories of exemption can be limiting, however, so do your research before applying under these sections.

### **Nonprofit Tax Options Beyond 501(c)3**

There are many types of tax exemption under section 501(c) of the Internal Revenue Code. Tax exemption under section 501(c)3 has a unique benefit, in that the donations to the organization are tax deductible to the donors. However, tax exemption under sections 501(c)4, 501(c)5, 501(c)6, 501(c)7, or another section may afford an organization greater flexibility and allow a broader range of purposes. Donations may not be tax deductible under these forms, but the business of an organization may still qualify as “tax exempt” for income tax purposes. It is also possible for a nonprofit to operate without obtaining tax exemption, in which case the nonprofit would be taxed like a normal business.

### **Steps to Applying for California and Federal Tax Exemption**

Applying for federal tax exemption usually requires putting together several documents that highlight your plans and vision for your organization’s work, including your internal policies and practices, your planned pay scale, and your activities. While this can be a lot of heavy lifting, it usually makes the state exemption process go faster and includes work that will help your organization grow and become sustainable in the long-term.

*Federal Exemption:*

1. [Apply](#) for, and receive, a Federal Employer Identification Number.
2. Check the [Form 1023](#) Checklist to ensure you have all the items required with your application.
3. Submit [Form 1023](#), Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code and all required schedules and attachments.
4. Include:
  - a. Your organization’s Articles of Incorporation, as approved by the Secretary of State (it is generally best to include a certified copy of your Articles).

- b. The text of any amendments that have been made to your Articles of Incorporation.
- c. Bylaws or other policies created by your organization.
- d. Conflict of Interest Policy.
- e. [Form 5768](#), Election/Revocation to Make Expenditures Influencing Legislation [lobbying].
- f. Submit the appropriate user fee for processing your application (either \$400 or \$850, depending on your organization).
- g. Signature of an officer, director, or trustee on the application.

*California Exemption:*

California's tax exemption application is very similar to the IRS's application. If you complete the federal process, submitting a California application should not be too much extra work.

1. Submit [Form 3500](#), Application for Tax Exemption, and any information required as attachments or supplements of the application. This includes financial information.
2. One copy of your Articles of Incorporation.
3. One copy of your bylaws or proposed bylaws.
4. A check or money order for \$25, payable to the Franchise Tax Board.

***Helpful Shortcut:*** *If you have already received federal exemption...*

Then, instead of submitting the more detailed Form 3500, submit Form 3500A, along with a copy of your IRS 501(c)(3) determination letter. Form 3500A is much shorter than form 3500 and will allow you to get state tax exemption very soon after obtaining federal tax exemption.

## NONPROFIT COMPLIANCE & MANAGEMENT

Forming a nonprofit is only the first step in managing your project. To keep your nonprofit corporate status or tax exemption from being suspended, there are several governance and reporting requirements you must meet each year. This section explains those requirements.

### A. GOVERNANCE REQUIREMENTS

In order to maintain a nonprofit organization, the State may require that you practice certain governance requirements. For example, all nonprofits must appoint a **Board of Directors** and have at least one Director serving on the Board. The total number of Directors you seek, which can be a range, should be reflected *either* in your Articles of Incorporation, *or* in your bylaws.

The Board of Directors for the organization must meet at least once a year (**annual meeting**). If your nonprofit is membership-based—that is, if you have members who elect your Directors—then you must have a membership meeting at least once each year. The annual meeting and the membership meeting can take place at the same time or back-to-back.

If your nonprofit is still new and you are a membership-based organizations you can appoint Interim Directors until the Annual Meeting, at which point your members will hold an election to determine who will serve as Directors.

If you plan to apply for tax exemption from the State or from the federal government (or both), you must adopt a **conflict of interest policy** that explains how your officers, staff, and Directors plan to ensure that no private individual unfairly benefits from the activities of your nonprofit. The IRS requires a conflict of interest policy with all tax-exemption applications, and other governmental agencies and potential grant funders may request copies of this policy as part of an application or report.

### B. REPORTING REQUIREMENTS

As a nonprofit organization, you have two timelines for submitting reports. Information that the Secretary of State requests will be due every other year on the day your organization became a recognized nonprofit corporation (date of incorporation). This date can be found on the letter you received from the Secretary of State granting your status, but you can also find this information online using the “Business Entity Search” at <http://kepler.sos.ca.gov>.

The second timeline for submitting tax reports is usually the 15<sup>th</sup> day of the 5<sup>th</sup> month after the end of your organization’s tax year. For example, if your organization’s fiscal/tax year ends on December 31, your filing due date is May 15; if your fiscal year ends June 30, your filing due date is November 15). If your deadline falls on a holiday or weekend, you are responsible for ensuring that your return is postmarked before your organization’s filing deadline. Both the IRS and the California Franchise Tax Board use this deadline for determining if you have filed your organization’s tax returns on time.

## Reporting to the California Secretary of State

### A. *Biannual Statement of Information*

California Corporations Code Section 6210(a) requires that all nonprofit corporations file their first Statement of Information ([Form SI-100: Statement of Information – Nonprofit](#)) within 90 days of becoming a recognized nonprofit, and again every two years after formation. Your Statement of Information is due *the day before you incorporated as a nonprofit* every two years. If your nonprofit’s formation anniversary is March 2, 2013, for example, you must file your first statement by May 31, 2013. After that, a Statement will be due on March 1, 2015, 2017, 2019, and so on, until your nonprofit dissolves.

You may file your Statement of Information online using the Secretary of State’s E-Filing Service (<https://businessfilings.sos.ca.gov>). As of 2013, the fee for submitting a Statement of Information was \$20.

### B. *Agent for Service*

At the time your nonprofit is formed, you submit an “initial agent for service” in the text of your Articles of Incorporation. Usually this is one of the founders of the nonprofit. An agent for service is the person responsible for receiving any legal notifications or official correspondence from the state, and it is important to keep this information up to date. An Agent for Service must be a *real* person (not a corporation), residing in California who is able to accept process of service (i.e., all legal requests and documents, including correspondence from the State). The Agent for Service is not required to be a Director or member of the organization.

It’s common to need to change your agent for service if there is a change in leadership or if a very involved member of your nonprofit retires or moves on. You can update information on the agent for service in your Statement of Information, but if a change takes place between your two-year filing period, then you will need to file [Form RA-100: Resignation of Agent for Service](#), explaining that the old agent has resigned, and you will also file a new Statement of Information, updating the information for your new agent for service.

## Reporting to the California Franchise Tax Board

Nonprofit status and tax-exemption are two separate processes. While the Secretary of State confers nonprofit status, the California Franchise Tax Board (“FTB”) evaluates and determines whether to approve applications for state tax-exemption.

The FTB requires all incorporated organizations in California to provide their contact information, including federal Employment Identification Number, at the time of formation and in the event that this information changes.

Additionally, the FTB requires all [organizations annually file](#) a return by the 15<sup>th</sup> day of the fifth month after the close of that organization’s fiscal year (e.g., if the fiscal year ends December 31, your filing due date is May 15; if your fiscal year ends June 30, your filing due date is November 15). Organizations with equal to or less than \$50,000 in gross receipts may file FTB [Form 199N](#) [the “E-Postcard”] electronically.

The FTB also requires that nonprofits file if they have “unrelated business income” that exceeds \$1,000 in a given fiscal year.

## Reporting to the IRS

Similar to the Franchise Tax Board, the federal government independently evaluates applications for federal tax-exemption. **All 501(c)(3) organizations must file an annual return.** Small organizations with less than \$50,000 in annual gross receipts may use the IRS's e-Postcard, or form [990-N](#), to submit their annual return. Organizations with average receipts of more than \$50,000 per tax year must file [Form 990](#) or [990-EZ](#).

If your organization has [employees](#), it is [responsible for paying federal and state payroll taxes](#), as well as Social Security and Medicare withholding taxes (Form 941, 944, 945). Your tax-exempt status focuses on your income, including whether you receive donations. It does not exempt you from most other forms of tax, including sales tax, payroll taxes, or unrelated business income taxes. For more information on filing requirements for nonprofits, please see the IRS's [table on return due dates for exempt organizations](#).

## Reporting to the California Board of Equalization

California's Board of Equalization is the state agency responsible for all sales and use taxes, property taxes, and "special taxes" created by voters. While most nonprofits don't often qualify for sales tax exemption, certain charitable organizations engaged in selling goods or merchandise can apply for a sales tax exemption when it applies for a [seller's permit](#), a required permit from the Board. Additionally, if your nonprofit owns property (land, buildings, or items like tools), it may be able to exempt its property taxes under the Board's "[welfare exemption](#)." You must apply for Organizational Clearance ([Form 277](#)) and an initial enrollment form ([Form 267](#)) to enroll in the welfare exemption program. *You must ensure your application is also delivered to your [County Assessor](#)* for the counties in which your organization owns property. For more information on potential taxes and registration requirements, visit [http://www.boe.ca.gov/info/VirtualSeminars/nonprofit\\_resources.html](http://www.boe.ca.gov/info/VirtualSeminars/nonprofit_resources.html).

## Reporting to the California Attorney General

If you receive donations, property, or other assets, [you must register](#) with the office of the California Attorney General's Registry of Charitable Trusts within thirty (30) days of receiving that asset. Additionally, once registered with the Attorney General, you must file an annual report to the California Attorney General (Form [RRF-1](#)). Because the Attorney General governs the integrity of the nonprofit organization system, you must obtain prior written permission from the Attorney General for specific loans, assets, and conversions. For further guidance, please consult the Attorney General's website for charities operating in California at <http://oag.ca.gov/charities/resources>.

## ANNUAL COMPLIANCE CHECKLIST FOR CHARITABLE NONPROFIT ORGANIZATIONS

The following list covers the most basic items a nonprofit must submit each year to remain in good standing. This list assumes that an organization has already applied for, and received, both state and federal tax-exemption. This list does not include *all* the license requirements a nonprofit must obtain. It only includes information related to taxes and state registration.

- \_\_\_\_\_ Schedule and host your organization's annual meeting
- \_\_\_\_\_ File Statement of Information with California Secretary of State (*every other year*)
- \_\_\_\_\_ File Income Tax Return (Form 199N or 199) with the California Franchise Tax Board
- \_\_\_\_\_ File Income Tax Return (Form 1099N, 1099EZ, or 1099) with the IRS
- \_\_\_\_\_ File Form RRF-1 with the California Attorney General

### *If you have employees...*

- \_\_\_\_\_ Register with the California Employment Development Department (EDD) for a State Employer Identification Number (Form [DE 1NP](#))
- \_\_\_\_\_ File your Quarterly Contribution Return (Form DE 9C) with the EDD
  - \_\_\_\_\_ January 1
  - \_\_\_\_\_ April 1
  - \_\_\_\_\_ July 1
  - \_\_\_\_\_ October 1
- \_\_\_\_\_ File Payroll Tax Deposit (DE 88) with the EDD as frequently as required (either daily, semi-weekly, monthly, or quarterly).
- \_\_\_\_\_ File Quarterly Return for FICA (Social Security & Medicare withholding) (Form 941)
  - \_\_\_\_\_ January 31
  - \_\_\_\_\_ April 30
  - \_\_\_\_\_ July 31
  - \_\_\_\_\_ October 31
- \_\_\_\_\_ File Annual Employer Federal Tax Return of FICA (Form 944) by February 2
- \_\_\_\_\_ File Annual Return of Withheld Income (Payroll) Taxes (Form 945) by January 31
- \_\_\_\_\_ Submit W-2 (Wage and Tax Statement) to all employees by January 31
- \_\_\_\_\_ Submit W-3 (Wage and Tax Statements for Social Security Administration) by last day in February (March 31 if filing electronically)

### *If you sell goods/merchandise or own land...*

- \_\_\_\_\_ File Board of Equalization Form 267A with your County Assessor by February 15

## ACCESSING LAND FOR COMMUNITY FARMING

While there are ways to grow food without access to land, access to land and water is essential for most community gardening and farming projects. This section will talk about different ways communities can access land, as well as the rules about land that community farmers should know.

### A. WHO GOVERNS LAND?

Many people can own or use a piece of land, but local governments can limit what you do with that land and can create special responsibilities and rules for land users. These rules are usually referred to as “zoning” because each “zone” (or area of properties) can be used for very specific purposes. The collection of all these zone-based rules is found in a city or county’s “planning code,” or “zoning code,” which is kind of like a master plan for how property can be used. This code will usually have a “zoning map” that shows how each parcel is designated, and it will usually have a “table of permitted uses” that lists how you may use a piece of property. For example, an area that is zoned for residential use usually cannot be used for industrial manufacturing, and frequently, it cannot be used for crop growing.

If you live in an unincorporated area, your county is in charge of zoning. Usually there are fewer limitations on how you can use a parcel governed by the county, there are still usually restrictions on how you use your land. For example, these restrictions might allow you to have horses, sheep, dogs, or birds on your property, but it probably has a limit on the *number* of animals you can keep based on the size of your parcel and where you are located.

Most local governments have a planning department, and department staff keep track of new projects and whether those projects fit the city or county’s plans. While planning staff make most first decisions, ultimately it is your City Council or County Board of Supervisors that has the final say on zoning for a particular parcel.

Before beginning a project to grow food, it is important to check with your local government’s planning department, or its administrator, to determine if your project is a “compatible use.” This means that your government agrees that you are using a piece of land in a way that is allowed under the law. Sometimes the law isn’t very specific about whether you can use an empty lot or yard for a garden. In these cases, you may have to ask your zoning department for a “determination of compatible use.” If department staff think your project is too far outside of the zoning framework, they may ask you to apply for a “conditional use permit” or a “variance,” which can be expensive and take some time and money.

## **B. DIFFERENT WAYS TO ACCESS LAND**

There are different ways to secure access to land. In this section we talk about three of the more common ways that people secure land for community food projects.

### **Licenses and Use Agreements**

One of the most common ways people access land is by entering into an agreement with a landowner to use that owner's land for a specific purpose. This agreement can be called a "use agreement" or a "license" depending on where you live and what the landowner prefers. A license can be given for a fee or for free (or \$1 per year).

While some community projects have formed as agreements between a community group and a private landowner, more often groups try to partner with a local school or with the parks and recreation department of a city to form these agreements. If land is owned by the government, it will usually require that the community group obtains tax-exempt, 501(c)(3) nonprofit status. However, some cities and schools have been willing to enter into agreements with private individuals or organizations that do not have nonprofit status.

While a license will let you use land, a landowner can still have specific rules or guidelines for using the land, and the landowner may still use the land or allow others to use the land concurrent with your use. Many landowners will require proof of general liability insurance, and they may ask the folks using the land to take on full responsibility for any lawsuits that come from an accident or injury at the garden site. Sometimes landowners may also ask the garden group to pay taxes for the site and to pay for all improvements on the land. Others will prohibit groups from building permanent objects, like a farm stand or shed, on the land.

### **Leases**

A lease is a formal contract between a landowner and a tenant to use land in specific ways, and a lease usually gives the tenant exclusive use of the property. Like licenses, leases likely have restrictions or limitations on what a tenant can do with the land. In many communities, local government has been willing to lease land for as little as one dollar per year.

### **Owning Land**

The most expensive option, and the option that gives a community group the most control, is to buy land. This will allow your group to own the title for the land, which means that it will have full control over the land (but is still subject to zoning and other regulations on how land may be used). This can be a significant source of wealth and security for your project. You will also become responsible for all taxes on the land, any problems or emergencies that take place on the land (such as flooding), and for any legal responsibilities.

If your organization or group decides to buy land, it is important to ask yourself: Can we afford the taxes and insurance? What will happen to the land if the group becomes inactive or dissolves? How will we pay for the land? If we have financing (i.e., taken out a loan), could loan payments take money away from other programs we want to pursue? Will we charge others for use of the land, and if we do, will we have to pay new taxes on this income?

Owning land can be a powerful tool for communities and for food projects. It is important to understand the benefits and demands of ownership when making a decision on which land access option to pursue.

## **C. ENVIRONMENTAL ISSUES**

### **Soil & Remediation**

Before beginning a garden project, it's important to determine if the land you plan to use is suitable for growing food. Even yards and plots that have never had buildings may contain toxins that are dangerous for your health. Before you pay for access to land or begin growing and planning your crops, you should test your soil for lead and other toxins. This may also tell you what nutrients are in your soil, which can help you pick which crops to grow, there.

If your soil is not safe, your local government might ask you to “remediate” the soil. Depending on what is in your soil, making it safe for use could be very expensive or very straightforward. Local government officials might also require regular testing, fences, or other safety measures.

### **California Environmental Quality Act (CEQA)**

Very large projects might be subject to the California Environmental Quality Act (CEQA), a public process for determining if new development or programs might have a significant impact on the local environment. Impacts could include anything from smells, to impact on a view or increased travel to a location. While many community gardens have not had to do a CEQA assessment, a very large community farm or garden might have to do an analysis to show that the project will not take away from the environmental qualities of the local area.

### **Other Regulations**

Finally, garden projects that are located in certain locations may have additional environmental requirements. For example, if your garden is very near a stream, lake, or river, you may have to secure a permit or show how you will prevent run-off from the garden into that waterway. Similarly, there are sometimes special rules for gardens located near elementary schools or elder care facilities. It can help to ask the staff for your city or county to help you navigate the regulations, permits, and reports you may have to submit.

## **D. LAND MANAGEMENT & TAXES**

Once you are able to secure land, you may be responsible for things that happen on the parcel that you're using. This includes making sure your property is well cared for, that it complies with the zoning code, and that it is safe and protected. People will expect that you have control over any dangerous things that are on the parcel, and you could be legally responsible for accidents or injuries that happen at the site (see the next section, on insurance, for how you might be able to reduce the costs of your risk). For example, even if a stranger came at night and hurt someone on your garden's land, you might still be responsible to the victim of that injury. Because of the risk of being sued, your landlord might require that you take out an insurance policy. Regardless of whether you own or lease, lawyers will strongly recommend that you take out an insurance policy for “general liability,” at a minimum.

Your landlord may also require that you pay any property and parcel taxes on the site created by your food project's existence. Your landlord might require that you pay all the property taxes on the land as long as you use it. If you own the land, you will be responsible for paying its property taxes, anyway, and it will be your responsibility to determine if your project could receive a “charitable organization” waiver from your County Assessor and the California Board

of Equalization (see Section 2, Maintaining a Nonprofit, for details on nonprofits and property taxes). If you live in an area that has passed a parcel tax, you will also be responsible for paying those parcel taxes, too.

Finally, if you hold a license or lease, a landlord might want all “improvements” to stay with the land, which means any structures, fences, or other infrastructure you installed. For example, if your group pays for the cost of installing a water connection and this costs \$15,000, your landlord may try to argue that the water connection belongs to him when your license or lease expires and that he does not have to pay the group for the cost of its installation. In this case, it’s a good idea to arrange for your landlord to compensate your organization for the improvements you make. In many other cases, a landlord will ask you to fully dismantle everything on the land and return it to “its original state” when the lease or license ends.

## LAND LEASES CHECKLIST

Ready to find a location for your garden or food project? The terms of your lease could be very important to the success of your business. Here are some things you should be sure to sort out with the landlord:

- **What spaces do you get to use?** Clarify the exact spaces and equipment you will be able to use. What storage areas, parking spaces, restrooms, trash areas, hoses, or sign spaces will you get to use?
- **Who maintains what?** Who is responsible for repairs of your space? It is worth asking the landlord to repair any damage caused by acts of nature or by external activity, or by acts or omissions of the landlord.
- **How long is the lease term? Can you renew it?** Usually leases require a commitment of several years, and they also give the tenant an option to renew the lease for additional terms. For example, a lease might be for three years, with an option to extend the lease for three more years.
- **What do you need in the space to make it ready?** Is there anything that the landlord needs to do to the space to make it ready for you to move in? What condition should the space be in? What happens if the space is not ready when your lease starts?
- **How will rent be determined?** What will the rent be? Can it be raised and by how much? Will there be a security deposit? What are the terms for refunding the security deposit?
- **Who pays property taxes?** Who pays the property taxes? If you and your landlord are using the land and if you both pay, how do you determine your percentage?
- **How can the space be used?** Are there certain crops you are not allowed to grow? Are there certain buildings or structures you can create? Can these be permanent, or do they have to be temporary?
- **Can you make changes to the space?** Will you need to alter the space? Usually leases allow you to make changes, within reason, especially in the case of longer-term leases.
- **Who pays for utilities?** On what basis will you determine your share of the utilities to be paid? Will the garden pay for water and other utilities, or will the landlord?
- **Can you assign or sublet the space?** If someone abandons a plot or you need to transfer your program to another group or nonprofit, ask the landlord to allow you to assign or sublet the space, so long as the new tenant is reasonable or approved by the landlord.
- **Under what circumstances can you terminate the lease or withhold rent?** If the landlord is not upholding his/her responsibilities under the lease, at what point would you have a right to terminate the lease or withhold rent?
- **What kinds of signs can you put up?** Where can you put signs and what size? Does the landlord have to approve a sign?

## SAMPLE AGREEMENT TO USE PROPERTY FOR A FOOD GARDEN:

*(Please note: This Sample Agreement was prepared by the Sustainable Economies Law Center to provide guidance and ideas to individuals wishing to enter into an arrangement to use land for food growing. This Sample Agreement does not constitute legal advice, nor will it be applicable to every situation. Each person who uses this Agreement as a model should adapt it to their own purposes, preferably in consultation with an attorney. Many legal issues come up when growing food in urban areas, particularly when that food will be sold. This Sample Agreement does not address every legal issue or scenario, and its thoroughness should not be relied upon. That said, happy gardening!)*

This Agreement is made between \_\_\_\_\_ (“Owner”) and \_\_\_\_\_

\_\_\_\_\_,  
(collectively referred to as “Gardeners”). Owner owns a [vacant lot/home] located at \_\_\_\_\_ (referred to as the “Property”).

Gardeners are a loose affiliation of friends with an interest in farming and a desire to plant a vegetable garden on Owner’s Property. Owner supports Gardeners’ desire to grow food, and allows Gardeners to use the Property on the following terms:

1. **Agreement:** Owner Agrees to allow Gardeners to use the Property for the purpose of growing a food garden. As consideration for the right to use Owner’s Property to garden, Gardeners agree to:

\_\_\_\_\_  
\_\_\_\_\_  
(Examples: “Pay Owner \$1.00,” “Pay Owner \$200 per month.” or “Allow Owner to consume produce grown on the Property,” etc.)

2. **Section of Property to be Used by Gardeners:** Owner agrees that Gardeners may conduct gardening activities on the portions of the Property described as follows (or shown in the attached Map of Property):

\_\_\_\_\_  
\_\_\_\_\_  
Optional (if the Property is also a home): Gardeners acknowledge and understand that Property is Owner’s home. Gardeners agree to respect Owner’s privacy and personal space, and therefore agree not to enter onto portions of the Property that are not designated for use by Gardeners.

3. **When Gardeners May Have Access to the Property:** Owner agrees to allow Gardeners to be on the Property on the following days of the week and during the following hours:

\_\_\_\_\_  
\_\_\_\_\_  
4. **Who May Be on the Property and Take Part in Gardening Activities:** Owner agrees that Gardeners may invite guests onto the Property to visit the garden or to help with the garden, as long as at least one of the Gardeners is with the guests at the garden. If Gardeners wish to give anyone else regular and unsupervised access to the garden, Gardeners must first receive Owner’s permission. Owner encourages Gardeners to invite and include neighbors in the

garden project. Gardeners may invite neighbors to periodic “garden parties.” Owner may take part in gardening activities as much or as little as Owner wishes.

5. **Use of Produce:** All fruits, vegetables, and herbs grown on the Property will be consumed by the Gardeners, shared with Owner, given to neighbors or friends, or donated to charity. Gardeners will not sell the produce and do not intend to profit from the arrangement. Owner may consume produce from the garden, but agrees not to take more than is reasonably needed for personal consumption.

6. **Design and Appearance of the Garden:** Gardeners agree to maintain a tidy appearance on the Property, which includes removing dead plants and leaves and clearing debris. Gardeners agree to regularly water, weed, cultivate, and otherwise maintain the garden. Gardeners will adhere, roughly, to the design and layout provided to Owner and attached to this Agreement.

7. **Construction of Raised Beds:** Gardeners may construct raised beds on the Property. If the Owner so requests, Gardeners shall remove the raised beds on the termination of this Agreement.

8. **Construction of Greenhouses:** Gardeners may, if they wish, construct one or more small greenhouses or hoopouses on the Property. If any permits or approvals are required for the construction of any greenhouse, Gardeners must see to it that such permits and approvals are obtained prior to construction. If the Owner so requests, Gardeners shall remove any greenhouses on the termination of this Agreement.

9. **Where Gardeners Will Store Tools and Other Items:**

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10. **Arrangement for Access to Water:**

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11. **Gardeners’ Access to Bathrooms:**

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12. **Arrangement for Managing Waste and Compost:**

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13. **Arrangement for Parking:**

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14. **Use of Pesticides, Herbicides, and Other Chemicals:** Gardeners agree to avoid use of chemicals, and use organic farming methods as much as possible. Prior to using any non-organic pesticides or herbicides, Gardeners shall consult with Owner and receive permission.

15. **Testing and Remediation of Soil:** Owner warrants that, to Owner’s knowledge, nothing toxic has been dumped and lead-based paints have not been used on the Property.

Gardeners agree to conduct a standard soil test through the UMass Amherst Soil Testing Lab. Should dangerous toxins or heavy metals be found in the soil, then this Agreement will be suspended and Gardeners will not begin gardening until the Owner and Gardeners feel satisfied that the soil has been remediated or that Gardeners have found a way to avoid plant contact with contaminated portions of the soil.

16. **Animals:** Unless and until Owner agrees to allow animals on the Property, Gardeners agree not to keep bees, chickens, goats, or other kinds of animals on the Property.

17. **Avoiding Nuisance:** Gardeners will take care to ensure that water run-off, dust, visitors, and noise do not bother neighbors. Should neighbors complain that the gardening activities are a nuisance, Gardeners agree to cooperate with Owner to find a solution that will reduce or eliminate the nuisance.

18. **Costs:** Unless otherwise specified or agreed to by the parties, Gardeners shall be responsible for all costs related to the garden, including but not limited to, soil, tools, water, seeds, seedlings, and fertilizer. Owner shall be responsible for the following costs:

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19. **Acknowledgment of Risks:** Gardeners acknowledge and understand that there are risks and dangers involved in entering onto the Property for the purpose of gardening. This includes, but is not limited to: risk of injury from lifting heavy objects, falling or tripping on uneven surfaces or debris, risk of food borne illness arising from eating vegetables, strain from digging, bending, kneeling, and so on. **Gardeners assume all risk of loss, injury, and illness, however caused, arising in connection with gardening on Owner's Property.**

20. **Reduction of Risk:** Gardeners will take care to remove hazards from the Property, including but not limited to holes, sharp objects, or items that could cause people to trip and fall. Gardeners will use care in lifting, using ladders, and other activities that could result in strain or injury. Gardeners will carefully supervise any visitors to the Property, especially if visitors are children. (Optional: Prior to beginning to garden on the Property, Gardeners agree to construct fencing around the perimeter of the Property, at Gardeners' own expense.)

21. **Agreement to Release Owner from Liability:** As consideration for the privilege of gardening on Owner's Property, **Gardeners agree not to make a claim against or sue Owner for injury, loss, or illness that Gardeners may experience in connection with gardening in Owner's yard.** Gardeners agree to indemnify, hold harmless, and defend Owner from all claims, liability, or demands that Gardeners or any third party may have or in the future make against Owner for injury, loss, or damage arising from the gardening on Owner's Property or consuming food grown on the Property. This is intended to be a complete release, discharge, and waiver of any and all actions, causes of action, or lawsuits against Owner arising in connection with Gardeners' presence on Owner's Property for gardening purposes.

22. **Insurance:** Gardeners agree to carry the following insurance in connection with their activities on the Property:

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Owner agrees to carry the following insurance in connection with the Property:

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23. **Damage to the Property:** Should Gardeners' activities result in any damage to the Property or to structures on the Property, Gardeners agree to repair such damage at Gardeners' own expense, or Gardeners agree to compensate Owner for the value of property damaged.

24. **Handling Disputes:** If a dispute arises between Owner and Gardeners, and that dispute cannot be resolved through discussion, then parties agree to attend at least one mediation session. Parties will share the cost of the mediation.

25. **Duration of this Agreement:** This Agreement will be effective and Gardeners may begin gardening on \_\_\_\_\_ (date). This Agreement will terminate on \_\_\_\_\_ (date), unless the Agreement is terminated sooner by Owner or Gardeners. When this Agreement is terminated, Gardeners will cease to garden on the Property. Alternatively, Gardeners and Owner may agree to renew this Agreement at any time and for any duration they choose. Such renewal will be agreed to in writing.

26. **Termination by Owner:** Under the following circumstances, Owner may terminate this Agreement early, so long as he/she provides three months notice of termination to the Gardeners:

- Owner decides to sell or develop the Property;
  - Owner or Gardeners are found to be in violation of the law as a result of the gardening operation;
  - Gardeners fail to comply with the terms of this Agreement, even after their failure to comply is pointed out to them, and they are given a reasonable time to correct the problem; or
  - \_\_\_\_\_
- 

27. **Termination by Gardeners:** Gardeners may terminate this Agreement at any time with two weeks notice to Owner.

28. **Responsibilities and Rights on Termination:** At the expiration or termination of this Agreement, Gardeners will remove all of Gardeners' possessions from the Property. Owner will not require removal of the plants, but Gardeners may remove them if they plan to plant them elsewhere. Gardeners may remove raised beds and greenhouses, and must do so if the Owner requests that they be removed. If Gardeners brought soil onto the Property for use in the garden, Gardeners may remove that soil upon termination of this Agreement. Gardeners will leave the Property in tidy condition.

By signing below, parties agree to adhere to the terms and conditions of this Agreement.

**Owner Signature:** \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**Signature of Community Garden Representative:** \_\_\_\_\_

Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

# INSURANCE AND LIABILITY

## FAQ ON LIABILITY, INSURANCE, AND RISK MANAGEMENT FOR FOOD ENTERPRISES AND URBAN FARMS

### 1. I'm responsible and careful. Our garden won't make anyone sick. Why should I care about insurance?

Anyone who runs a business or organization, no matter how small, is at risk of being sued. Even if you didn't do anything wrong, you can spend a lot of money trying to prove that if you're sued. A good insurance policy will cover those legal expenses. And accidents can and do happen, even if you're careful.

**Remember:** Anyone can sue you for anything. Even if the claim is a lie, you'll still spend money on lawyers.

### 2. OK, I'm convinced. What kind of insurance do I need?

Before you decide what kind(s) of insurance to buy, you should identify the risks associated with what you're doing and how you operate:

- Do you sell food at a farmers market? You probably need general liability, or "slip and fall," insurance to cover you for any accidents that occur in your booth or space.
- Do you sell food directly or through a CSA? You may need product liability, or food safety," insurance to cover any chance that someone becomes sick from your food.
- Do you own crops? You may need crop insurance and disaster insurance.
- Do you use a delivery vehicle or farm equipment? You'll need an automobile insurance policy and property insurance.
- Do you have employees? Then you'll need workers' compensation insurance.

### Let's take a look at the most common types of insurance:

#### a. General liability insurance

General liability insurance covers bodily injuries, property damage, and a handful of losses that could occur as a result of the operation of your business. General liability is also sometimes known as "slip and fall" insurance, and it is particularly important if you have a "premises," like a farmers market booth or shop, where the public will visit your business. Even if you are leasing your space, it is likely the owner will require that you show proof that you have this insurance, and the landowner may ask you to add him/her to your policy as an "additional insured." You'll need to check with your insurance provider to see how and if you can add another person or organization to your policy.

*"Additional Insured" is a person who enjoys the benefits of being covered under an insurance policy*

**Liability for backyard farms:** These days, many people use backyards to grow food for their community or for a business. Homeowners insurance usually covers injuries that take place on the property if the injured party is the guest of a homeowner and if the activity is not for a commercial purpose. Injuries related to casual and non-commercial backyard garden projects are probably covered by homeowners insurance, but it is a good idea to verify this with your homeowners insurance carrier.

But what if you want to sell your backyard produce? It will be important for backyard farmers to revisit their homeowners insurance policies to make sure they are covered for garden-related injuries. Most homeowners policies have endorsements that can be added, which are modifications to the general policy that add or remove provisions to serve particular needs. Some homeowners policies can be amended to include certain home businesses.

**b. Product liability insurance**

Product liability insurance protects you if a customer gets sick from a food product they got from you. Whether you purchase this type of insurance probably depends on what type of food product you're providing and the level of risk associated with that product. For example, if you're selling bread or granola, your risk may be low enough that you can forego this type of insurance. If you're selling vegetables or animal products like milk and cheese, products liability insurance is recommended by most commercial farmers.

To give an idea of cost, we spoke to two medium-sized commercial urban farms and learned that they pay between \$700 and \$1000 per year for product liability insurance coverage with limits of \$1 million to \$2 million. We found that for small farms in rural areas or small cities, "comprehensive" small farm insurance is roughly \$1500 each year for general liability, product liability, crop insurance, and basic disaster insurance.

**c. Commercial automobile insurance**

Commercial auto coverage protects you from losses incurred while employees and volunteers are using your vehicles for purposes of your business, and for damage done to the vehicles. Most policies address each individual vehicle separately, and coverage and costs vary depending on factors such as vehicle size, number of drivers, and intended use.

**d. Workers' compensation insurance**

If you have even one part-time employee, you need workers' compensation insurance in California. Not having workers' compensation insurance is a criminal offense, and you can't require your employees to help pay the cost of the policy. You aren't required to cover volunteers, but you can choose to include them in your coverage.

Insurance can be obtained from an agent or broker, the State Compensation Insurance Fund, or you can "self-insure" if you qualify. Policy rates are based on the size of your payroll and the tasks your employees perform.

**Note for urban farms:** Some urban farms have found that their worker's compensation policies are unusually expensive, in spite of the fact that there is a low risk of injury in urban farming. This is because insurers often liken an urban farm to a large commercial farm that involves trucks, tractors, chemicals, repetitive motion activities, or other activities with a higher risk of injury. It's a good idea to call around until you find an insurer or broker that understands small and urban farms. One suggestion is to tell the insurer or broker that you are an urban "garden," rather than a "farm." Another is to ask if the insurer offers "hobby farm" insurance. Of course you should still be honest about what activities you are engaged in, including growing food for sale, if applicable. However, reframing the activity as a garden might prompt insurers to choose an insurance policy that is more affordable and better fits your activity.

For more information on workers' compensation requirements for employers, see [http://www.dir.ca.gov/DWC/FactSheets/Employer\\_FactSheet.pdf](http://www.dir.ca.gov/DWC/FactSheets/Employer_FactSheet.pdf), and [www.insurance.ca.gov](http://www.insurance.ca.gov).

3. **How much insurance should I buy?**

This is a decision only you and your group can make. There are a lot of types of insurance available, and your project could go broke if you buy them all. Think about the risk level associated with your particular product, and talk to a good broker who is familiar with what you hope to do with your project.

4. **Sounds expensive. What can I do to reduce the cost of insurance?**

Find out if you can associate with or become a member of a larger entity, who may be able to provide discounted insurance rates. For example, the Land Trust Alliance (LTA) has discounted insurance packages for its members:

- You'll need to have 501(c)(3) status, or be in the process of obtaining 501(c)(3) status.
- You will also have to adopt the LTA's "Standards and Practices," which is a nonbinding legal resolution of guidelines for the responsible operation of a land trust.
- LTA's annual membership fees are based on your organization's annual budget.

If you're a 501(c)(3) nonprofit, consider contacting insurance companies that work exclusively with nonprofits, such as First Nonprofit Insurance Company. The Nonprofits Insurance Alliance of California (NIAC) can be helpful.

5. **What else can I do to protect myself?**

a. **Indemnification agreements**

Indemnification, or "hold harmless" agreements, can provide additional protection by requiring someone else to pay your legal fees and expenses if you are sued by a third party. Whether you can get this type of agreement may depend on your power position in the relationship. For example, a farmers market may require a vendor to indemnify the market if the market is sued because of an injury sustained in that vendor's stall. The indemnified party should also make sure to ask to be named as an "additional insured" on the indemnifying party's insurance policy—you want the party indemnifying you to have the financial resources to make good on that promise.

b. **Liability waivers**

Depending on your activities and who is involved, you may also want to ask participants to sign a liability waiver. For example, if your organization operates a community garden, you could ask volunteers and gardeners to sign a liability waiver, which states that they will not hold you responsible or sue you if they are injured in the garden. The waiver should be very clear in informing gardeners of the risks they are taking and about the fact that they are voluntarily waiving their right to sue you. In practice, courts often refuse to uphold liability waivers, on the grounds that it would be poor public policy for businesses and organizations to waive their duty to be careful. Nevertheless, if you carefully craft your waiver, there is a good chance it will protect you, either in court or in setting clear expectations that volunteers should be careful to avoid injury and not sue you.

**c. Forming a nonprofit corporation, for-profit corporation, or limited liability company (LLC)**

Incorporating or forming a nonprofit or LLC can limit your liability (that is, someone's ability to sue you), and provide an extra layer of liability protection. If someone is injured or experiences loss, the claim will be limited to the assets owned by the company, and your personal assets—such as your home, car, and personal bank accounts—will generally be protected.

**Remember:** this “shield” over your personal assets is not absolute. For example, you wouldn't be protected if you act recklessly, commit intentional fraud, and you can destroy the limited liability protection you have if you treat the organization's bank account as your own personal account. Act fairly and legally, fund your project adequately, and keep your project and personal finances separate.

**6. Anything else I should know?**

**Shop around for coverage.** Find an insurance broker or agent who understands your business and the particular risks associated with what you're doing. Rates can vary widely from one insurance company to another.

**Ask lots of questions.** Make sure your insurance provider understands what you're doing, so that you get the coverage you need. For example, a products liability policy might cover your sales of produce, but not meat and dairy. And your policy might not cover “temporary structures” like tents or tables used in your farmers market stall. You don't want to find this out after you submit a claim.

**Be safe.** One of the best ways to manage risk is to adopt safety practices and policies. Train people on safety, remove hazards, post warnings – a little care goes a long way in preventing injury and avoiding liability.

**Acknowledgments:**

This FAQ was created with contributions from Karen Stambaugh, Partner, mod4 LLP; Elizabeth Spellman, Legal Intern, Sustainable Economies Law Center; Janelle Orsi, Director, Sustainable Economies Law Center; Ben Fox, Students for Economic and Environmental Justice; and Camille Pannu, Staff Attorney, Sustainable Economies Law Center.