

Community Development Committee

Meeting date: September 18, 2017

Subject: 2016 Agricultural Preserves Report

District(s), Member(s): All

Policy/Legal Reference: Metropolitan Agricultural Preserves (Minn. Stat. 473H)

Staff Prepared/Presented: Raya Esmaeili, Senior Planner, Local Planning Assistance (651-602-1616)

Division/Department: Community Development / Regional Planning

Proposed Action

None. This item is presented for information purposes only.

Background

The Metropolitan Agricultural Preserves Program was established in 1980 by the Minnesota legislature to encourage protection of long-term agricultural uses and to provide direction in equitably taxing these properties. The Metropolitan Council supports preserving agricultural land in the region through specific policies for protection and development in *Thrive MSP 2040*. All the counties in the region except for Ramsey County contain properties enrolled in the program. The Council annually reports on the acres enrolled in the program, with information from these counties and the Department of Revenue. Staff will present this report at the Community Development Committee meeting.

2016 METROPOLITAN AGRICULTURAL PRESERVES PROGRAM STATUS REPORT



September 2017

The Council's mission is to foster efficient and economic growth for a prosperous metropolitan region

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The Metropolitan Council is the regional planning organization for the seven-county Twin Cities area. The Council operates the regional bus and rail system, collects and treats wastewater, coordinates regional water resources, plans and helps fund regional parks, and administers federal funds that provide housing opportunities for low- and moderate-income individuals and families. The 17-member Council board is appointed by and serves at the pleasure of the governor.



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Introduction to the Metropolitan Agricultural Preserves Program

Minnesota Statutes 473H established the Metropolitan Agricultural Preserves Program in 1980 to encourage and preserve areas planned and zoned for long-term agricultural use within the seven-county metropolitan area.

The purpose of the statute is to encourage the use and improvement of the metropolitan area's agricultural lands for producing food and other agricultural commodities. It establishes a local planning process to designate agricultural areas as a long-term land use and provides benefits to maintain viable productive farm operations.

The statute provides metropolitan area farmers the assurance that they can make long-term agricultural investments and continue to produce crops on agricultural lands. In turn, the program's incentives support farming as a long-term land use, local food production, and the Twin Cities farming economy.

The Agricultural Preserves Program acknowledges the regional and local planning processes and identifies a certification process to designate long-term agricultural lands as eligible for program enrollment. It links planning for agriculture to the local comprehensive plan and zoning ordinance and requires local governments to certify these actions by resolution as a part of the application for enrollment. From a regional planning perspective, the certification process demonstrates the value of the locally certified lands as an indicator of agricultural areas that warrant the highest level of regional support.

Early in the program, the Metropolitan Council staff worked with local governments to identify and map important agricultural areas as part of their local comprehensive plan. Local governments then certified by resolution these areas as eligible for enrollment in the program. Today, local governments have mapped areas eligible for agricultural preserves enrollment as part of the 2008 comprehensive plan update process. Many of these communities are in the midst of their 2018 comprehensive plan update process and are using the agricultural preserve data as part of their land use planning.

The report summarizes program enrollment as of December 31, 2016. The Metropolitan Council has monitored the program's participation since 1982 and has prepared annual reports to the Minnesota Legislature summarizing participation in the program and providing maps illustrating lands enrolled in the program.



2016 Enrollment Acreage and Overall Trends

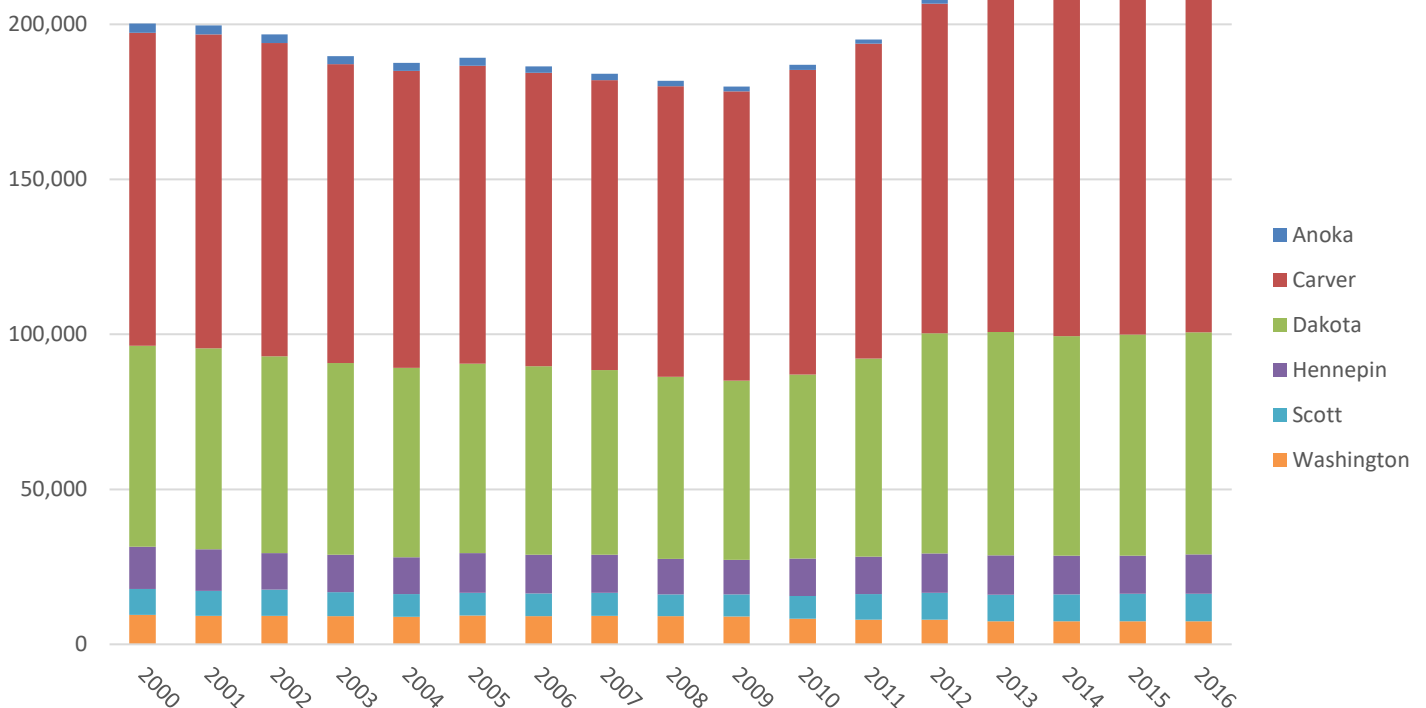
In 2016, enrollments in the program remained steady, with minor change in enrolled acreage. The 2015 enrollment was one of the highest enrollments in the program since the program’s initiation. Despite the slight decline in acres enrolled in 2016, the number of enrollments has remained on the same track since 2012.

Figure 1 shows the trend of enrolled acres for each county from 2000 to 2016. Many landowners began to enroll their land into the program in 2009, which is coincident with the economic downturn. Since 2012, there have been minimal changes in the number of acres enrolled.

The Legislature established the program in 1980, and by 1983, over 88,000 acres were enrolled. The enrollment increased steadily in the years following 1983 until it peaked in 1997 at almost 202,000 acres. From there through 2009, the enrollment decreased to its lowest point at 179,898 acres. However, enrollment has begun to rebound in the more recent years to just over 209,000 acres in 2013.

Table 1 shows the enrollment trends between 2000 and 2009, prior to the economic downturn. During this period, all counties experienced a decline in acres enrolled in the program. This decrease is consistent with the growing outward pressure that the region saw in development. Table 2 shows the trends since 2009, after market recovery. Carver County has seen the most substantial increase with over 14,000 acres (15%) increase in acres enrolled. Acres enrolled have increased in Dakota and Scott counties as well, with over 13,000 and 1,700 acres respectively. Anoka and Washington counties experienced a steady decline in the program since 2000, with overall 60% and 21% decreases respectively. This trend is consistent with development proposals in these counties. Ramsey County does not have any properties enrolled in the program since it is fully developed.

Figure 1- 2000 to 2016 Enrollment Trends (acres) by County



Twin Cities Metropolitan Area

Metropolitan Agricultural Preserves Program 2016 Enrollment

September 2017

-  City & Township Boundaries
-  Counties
-  Agricultural Preserve Parcels

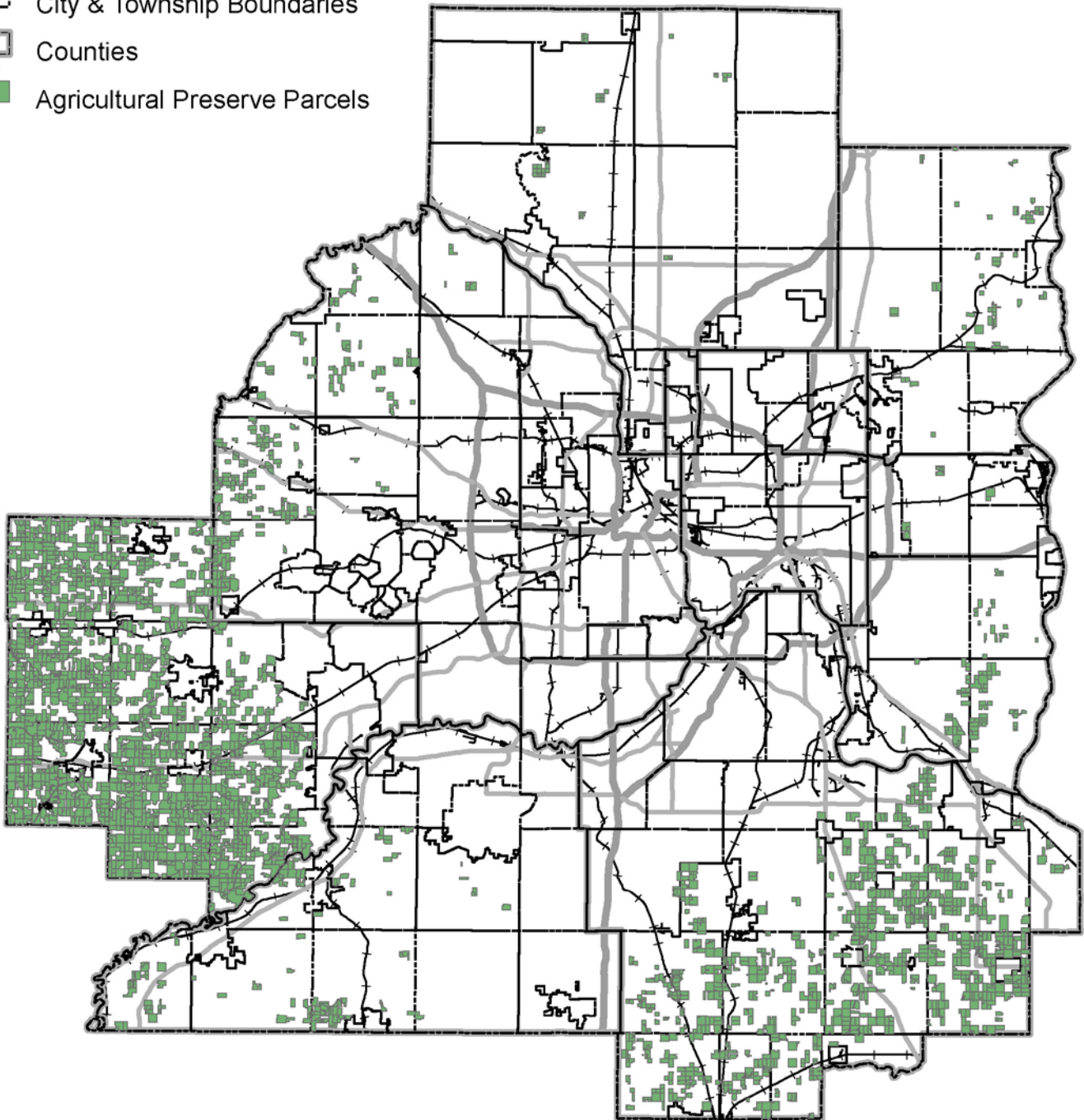


Table 1- Enrollment Trends (acres) by County prior to the Economic Downturn

3,026	2,855	2,706	2,636	2,480	2,549	2,139	2,104	1,793	1,520	-1,506	-50%
100,995	101,266	101,065	96,371	95,835	96,115	94,621	93,518	93,739	93,271	-7,724	-8%
64,823	64,872	63,523	61,877	61,089	61,166	60,838	59,535	58,763	57,841	-6,982	-11%
13,552	13,364	11,797	12,081	11,852	12,732	12,413	12,326	11,406	11,141	-2,411	-18%
0	0	0	0	0	0	0	0	0	0	0	0%
8,443	8,094	8,382	7,774	7,388	7,389	7,353	7,393	7,077	7,193	-1,250	-15%
9,456	9,179	9,235	9,042	8,871	9,249	9,101	9,204	9,045	8,932	-524	-6%
200,295	199,630	196,708	189,781	187,515	189,200	186,456	184,080	181,823	179,898	-20,397	-10%

Source: Minnesota Department of Revenue

Table 2- Enrollment Trends (acres) by County after the Economic Downturn

County	2009	2010	2011	2012	2013	2014	2015	2016	2009-2016 Change	2009-2016 % Change
Anoka	1,520	1,591	1,313	1,196	1,205	1,210	1,210	1,210	-310	-20%
Carver	93,271	98,337	101,576	106,352	107,376	108,558	108,221	107,297	14,026	15%
	57,841	59,308	63,949	71,032	72,097	70,864	71,375	71,620	13,779	24%
	11,141	12,113	12,054	12,679	12,634	12,431	12,260	12,704	1,563	14%
	0	0	0	0	0	0	0	0	0	0
	7,193	7,332	8,300	8,729	8,584	8,674	8,862	8,897	1,704	24%
	8,932	8,227	7,923	7,909	7,441	7,453	7,467	7,449	-1,483	-17%
179,898	186,908	195,115	207,897	209,337	209,190	209,395	209,177	29,279	16%	16%

Source: Minnesota Department of Revenue

About the Program

Eligibility and Implementation

Minnesota Statutes 473H directs the local authority, or the local government having planning and zoning authority, to implement the program and its requirements, the application process, and the program restrictions. The legislation indicates that the local authority should identify long-term agricultural lands and establish zoning for these areas at a density of no more than one dwelling unit per forty acres. The local authority is then to certify by resolution the areas eligible for enrollment and allow landowners to apply to the program.

Benefits

Landowners enrolled in the program receive a number of benefits, including a special tax classification that results in reduced property taxes. The legislation requires that county assessors determine market value for property tax purposes on agricultural preserves properties based solely on the agricultural use and classification, without considering additional value from non-agricultural factors, such as potential development for other uses.

The statute directs county assessors to calculate taxes using the lower of two assessment rates, the local tax rate, or a rate calculated as 105 percent of the previous year's statewide average tax rate for townships. The market value is multiplied by the net tax capacity to determine property taxes, and the net tax capacity is determined using the lower of these two rates. This generates a property tax savings, a program benefit known as a "conservation credit." The conservation credit amounts range in value based upon local tax rates, but will be a tax savings of at least \$1.50 per acre.

The program prohibits special assessments for public improvement projects including sanitary sewer systems, storm water infrastructure, water systems, roads, and other improvements. It prohibits local governments from enacting or enforcing ordinances or regulations that restrict normal farm practices. Finally, it requires local governments to follow specific procedures if an entity initiates annexation or eminent domain actions that affect agricultural preserve land over ten acres in size.

Enrollment Process

The program is voluntary, and landowners typically work with the local authority to prepare enrollment applications and record the documents with the county. The legislation outlines a number of enrollment conditions, including a minimum property size. The program requires a minimum forty acres needed for program enrollment, but includes exceptions that recognize smaller parcels as eligible, for example, to accommodate smaller, non-contiguous parcels that are farmed as a unit.

The enrollment includes filing a restrictive agreement that includes the property's legal description, notarized signatures, and an affidavit of the local authority certifying that the land is eligible for enrollment. The agreement is recorded with the property title at the county and remains effective if ownership changes.

The agreement requires that the agricultural preserve property be in an agricultural use as defined by statute, which includes the production for sale of livestock, dairy animals or products, poultry and products, horticulture, and fruit. The document states that the restrictive agreement remains in effect until the landowner, or the local authority, initiates an expiration notice. The agreement and benefits end eight years from the date the expiration notice is signed and recorded at the county.

Enrollment forms must be recorded at the county before June 1 of each year to receive property tax benefits payable the following year. For example, participants enrolling by June 1, 2016 see the property tax benefits reflected in the property tax statements for 2017.

Funding

The Agricultural Preserves Program is funded by a \$5.00 fee collected by metropolitan area counties on mortgage registrations and deed transfers (MRDT). Of the fee revenue, the counties retain half in a county conservation fund and forward the remaining half split equally among both the Minnesota Conservation Fund and to the State general fund. The county conservation fund revenue supplements the property tax credit that the program provides to participating landowners.

If the county conservation fund is not sufficient to reimburse the tax loss, counties may then draw from the state conservation fund. If the state conservation fund revenue is not sufficient, the state will appropriate the funding from the state's general fund.

The program legislation allows counties to use any remaining conservation revenues for agricultural land preservation or conservation planning activities each year. However, counties must transfer any unencumbered revenue back to the state each year.

Table 3 shows the program funding in 2016 and demonstrates that Carver County, with 51% of the total acres enrolled, pays the highest amount of conservation credit to program participants and draws from the state conservation fund to pay the outstanding tax credits balance. For payable taxes in 2016, Carver, Dakota, Hennepin, and Scott counties drew funds from the state conservation fund to reimburse the county conservation credit paid to program participants.

Table 1- 2016 Program Funding and Tax Credit Summary

Tax classification and valuation 2015 for taxes payable in 2016

County	Enrolled 2016 (acres)	Total Conservation Credit (\$) 2016	County Share MRDT Revenue (\$)	Reimbursed from State Conservation Fund (\$)	Remains in County Fund (\$)
Anoka	1,210	7,073	66,873	0	59,800
Carver	107,297	470,042	24,122	445,920	0
Dakota	71,620	306,361	80,865	225,496	0
Hennepin	12,704	258,101	221,110	36,991	0
Ramsey	0	\$0	76,375	0	76,375
Scott	8,897	58,262	31,113	27,149	0
Washington	7,449	30,953	54,698	0	23,745
Total	209,177	\$1,049,612	\$555,155	\$735,556	\$159,920

Source: Minnesota Department of Revenue



390 Robert Street North
Saint Paul, MN 55101-1805

651.602.1000
TTY 651.291.0904
public.info@metc.state.mn.us
metro council.org

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