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Regional

Report

2003 Metropolitan Agricultural Preserves Program Status Report

April 2004

Twin Cities Metropolitan Area
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About This Report

The Metropolitan Council has monitored participation in the Metropolitan Agricultural Preserves Program since 1982. The Agricultural Preserves Program was established in 1980 by Minnesota Statutes 473H to encourage preservation of long-term agricultural lands within the seven county metropolitan area. The program plays a key role in ensuring the continued presence of agriculture as a long-term land use in the region. The Council has long used certification for program enrollment, through local comprehensive plans, as an indicator of agricultural areas deserving of the highest level of regional support.

Background

The Agricultural Preserves Program legislation directs the Council to prepare annual reports summarizing participation in the program, and to maintain maps illustrating lands certified for long term agriculture and lands covenanted as agricultural preserve. This report summarizes program enrollment as of the end of 2003. When considered in the context of enrollment information presented in previous annual reports, it provides a history of the program.

The Metropolitan Agricultural Preserves Program encourages the use of the metropolitan area's agricultural lands for food production and recognizes farming as a long-term land use for properties enrolled in the program. It provides local governments with a method to designate long term agricultural lands through the local planning process. The program's intent is to provide metropolitan area farmers the assurance that they can make long-term agricultural investments and can continue farming on viable agricultural lands within the metropolitan area.

Eligibility and Implementation

The legislation requires the local authority, or the unit of government having planning and zoning authority, to first adopt a comprehensive plan that specifically describes and designates, or maps, long-term agricultural land. Many local governments establish these agricultural areas during the local comprehensive planning process.

The local authority then establishes corresponding zoning for the agricultural preserve areas, setting the density at no more than one dwelling unit per forty acres. Once these requirements are met, the land is considered "certified" eligible for benefits under the Agricultural Preserves Program.

The local authority is responsible for managing the application process, and enforcing the Agricultural Preserve Act's requirements and restrictions.

Program Enrollment

Enrollment in the Agricultural Preserves Program is voluntary, so landowners often work with the local authority (city, township or county) to review the program's benefits. The individual's decision to enroll is based upon a range of considerations that may include proximity to urbanization, financial status, continued family-owned farming, land values, or agricultural investments.

Landowners prepare and record the enrollment form, which is a restrictive covenant on the property's title. The restrictive covenant specifies that the land has been classified as agricultural and has been certified as eligible for designation as an agricultural preserve. The covenant indicates that the land shall be kept in agricultural use as defined by the legislation, which includes the production for sale of livestock, dairy animals or products, poultry and products, horticulture, fruit, etc. Forty acres is the minimum land area required for eligibility in the program. However, the law provides certain conditions under which the minimum can be reduced to twenty acres.

The restrictive covenant places limitations on the enrolled land in order to receive the program's protection and benefits. The restrictive covenant is recorded with the property title, so that the agricultural preserve status is maintained if ownership changes. The restrictive covenant includes an affidavit of authority indicating that the local authority designates the described property as long term agriculture, and certifies the land eligible for agricultural preserve designation by resolution.

The restrictive covenant remains in effect indefinitely, or until a separate expiration notice is signed and filed with the county recorder. Therefore, the restrictive covenant and its benefits terminate once the expiration date is reached, or eight years after the expiration notice is recorded.

Program Benefits

Enrollment in the Agricultural Preserves Program must occur before March 1st of any given year to receive the property tax benefits payable in the following year. The program provides a number of benefits that include special classification of the land based on its agricultural value, rather than its market value. A special tax rate is used to determine the amount of property taxes the landowner will pay, based upon a calculation using 105 percent of the previous year's statewide average tax rate for townships outside the metropolitan area. The lower of either the special tax rate, or the local tax rate, is used. The special tax rate typically results in a reduced property tax for landowners.

Other program benefits include a minimum property tax credit of \$1.50 per acre per year. Special assessments are prohibited for public improvement projects including sanitary sewer systems, storm water sewer systems, water systems, roads and other improvements. Farm practices are protected because the law prohibits local governments from enacting or enforcing ordinances or regulations that restrict normal farm practices. Finally, the program requires that additional procedures be followed where eminent domain proceedings are initiated for enrolled land over ten acres in size.

Current Enrollment

The Agricultural Preserves Program's enrollment has historically been less than the number of acres certified eligible for enrollment. As of the end of 2003, approximately 190,000 acres were enrolled, about triple the number of acres enrolled in 1982.

For the decade between 1990 and 2000, the program's enrollment increased more than 24,000 acres, slightly larger in size than rural township of 36 square miles. Table 1 charts the program's total enrollment from 1982 to 2003, showing the greatest number of acres enrolled in 1997, and the steady enrollment between 1998 and the present. However, more recent years show an enrollment decline. Between 2000 and 2003, enrollment dropped by over 10,000 acres.

Table 2 also shows information on the Metropolitan Area's "land in farms" as defined by the United States Department of Agriculture's (USDA) *Census of Agriculture*. The Census is published every five years, with the last Census in 1997, and the 2002 Census data released this summer. In the metropolitan area, the land in farms has dropped by more than 90,000 acres, approximately 140 square miles, between 1987 and 1997. The Census defines "land in farms" as land that consists primarily of agricultural land used for crops, pasture, or grazing. It includes woodland and land not actually under cultivation or used for pasture or grazing, provided it was part of the farm operator's total operation.

Of the metropolitan area's land in farms, only about 27 percent is enrolled in the Agricultural Preserves Program.

Table 3
METROPOLITAN AGRICULTURAL PRESERVES PROGRAM
Enrollment by Community²
For Taxes Payable 2003

COUNTY	Community	2003 Enrolled Acres
ANOKA	Andover, City	1,408
	East Bethel, City	316
	St Francis, City	119
	Oak Grove, City	722
	Blaine, City	71
Anoka County Total		2,636

CARVER	Benton Township	14,304
	Camden Township	13,516
	Chaska Township	36
	Dahlgren Township	10,614
	Hancock Township	8,488
	Hollywood Township	14,011
	Lake Township Township	3,817
	San Francisco Township	5,868
	Waconia Township	5,214
	Watertown Township	6,122
	Young America Township	14,169
	Carver, City	110
	Waconia, City	72
	Chanhassen, City	31
Carver County Total		96,371

DAKOTA	Castle Rock Township	3,366
	Douglas Township	9,613
	Empire Township	4,660
	Eureka Township	4,125
	Greenvale Township	3,890
	Hampton Township	6,173
	Marshan Township	6,595
	Nininger Township	1,023
	Randolph Township	456
	Ravenna Township	1,164
	Sciota Township	2,679
	Vermillion Township	11,683
	Waterford Township	2,924

² Information from the Minnesota Department of Revenue

Table 1
Program Enrollment 1982-2003

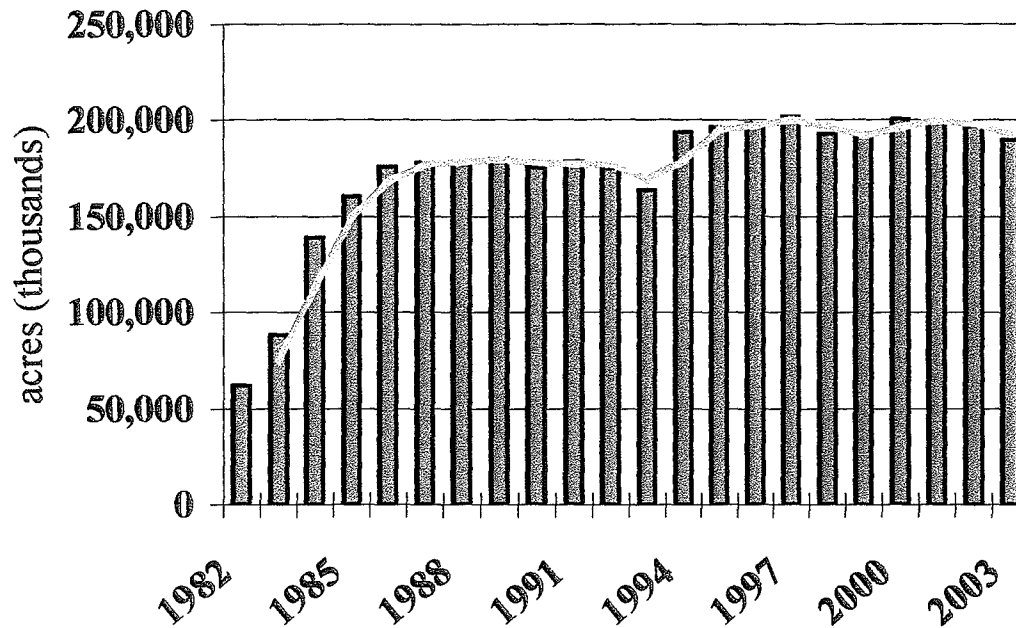


Table 2
USDA's *Census of Agriculture*
Total Land in Farms¹ by County
(in acres)

County	Land in Farms 1987	Land in Farms 1992	Land in Farms 1997	Land in Farms 2002	Change (loss/gain) 1987-1997
Anoka	74,443	61,832	57,313	'02 data available in late Summer 2004	Loss (-) 17,130
Carver	167,532	165,961	153,223		(-) 14,309
Dakota	219,920	221,193	221,316		Gain (+) 1,396
Hennepin	91,078	79,183	69,128		(-) 21,950
Ramsey	2,146	2,142	0		(-) 2,146
Scott	134,420	131,753	117,830		(-) 16,590
Washington	109,442	100,774	89,935		(-) 19,507
TOTAL	798,981	762,838	708,745		Loss - 90,236 acres

¹ United States Department of Agriculture's Report, *Census of Agriculture*.

DAKOTA (continued)		
	Farmington, City	1,437
	Hampton, City	100
	Lakeville, City	257
	New Trier, City	2
	Rosemount, City	1,730
Dakota County Total		61,877

HENNEPIN	Hassan Township	351
	Medina, City	293
	Independence, City	4,074
	Greenfield, City	1,210
	Corcoran, City	2,060
	Minnetrissa, City	2,532
	Dayton, City	1,561
Hennepin County Total		12,081

SCOTT	Belle Plaine Township	1,043
	Blakeley Township	799
	Cedar Lake Township	110
	Credit River Township	149
	Helena Township	1,832
	Louisville Township	40
	New Market Township	77
	St Lawrence Township	1,231
	Sand Creek Township	1,661
	Spring Lake Township	406
	Prior Lake, City	356
	Shakopee, City	69
Scott County Total		7,774

WASHINGTON	Baytown Township	192
	Denmark Township	2,088
	May Township	1,372
	New Scandia Township	1,252
	Afton, City	1,181
	Forest Lake, City	110
	Hugo, City	160
	Lake Elmo, City	414
	Cottage Grove, City	1,996
	Grant, City	277
Washington County Total		9,042
METRO TOTAL (ACRES)		189,781

Program Funding

The Agricultural Preserves Program is funded by a \$5.00 fee on all mortgage registrations and deed transfers (MRDT) levied by the metropolitan area counties. Each county that collects the fee keeps half, or a \$2.50 share, and transfers the remaining half to the State Conservation Fund (MN Statutes §40A).

The Minnesota Conservation Fund is an established account in the state treasury, where money from the counties must be deposited and credited to the fund account. Money in the fund is annually appropriated to the commissioner of revenue to reimburse taxing jurisdictions.

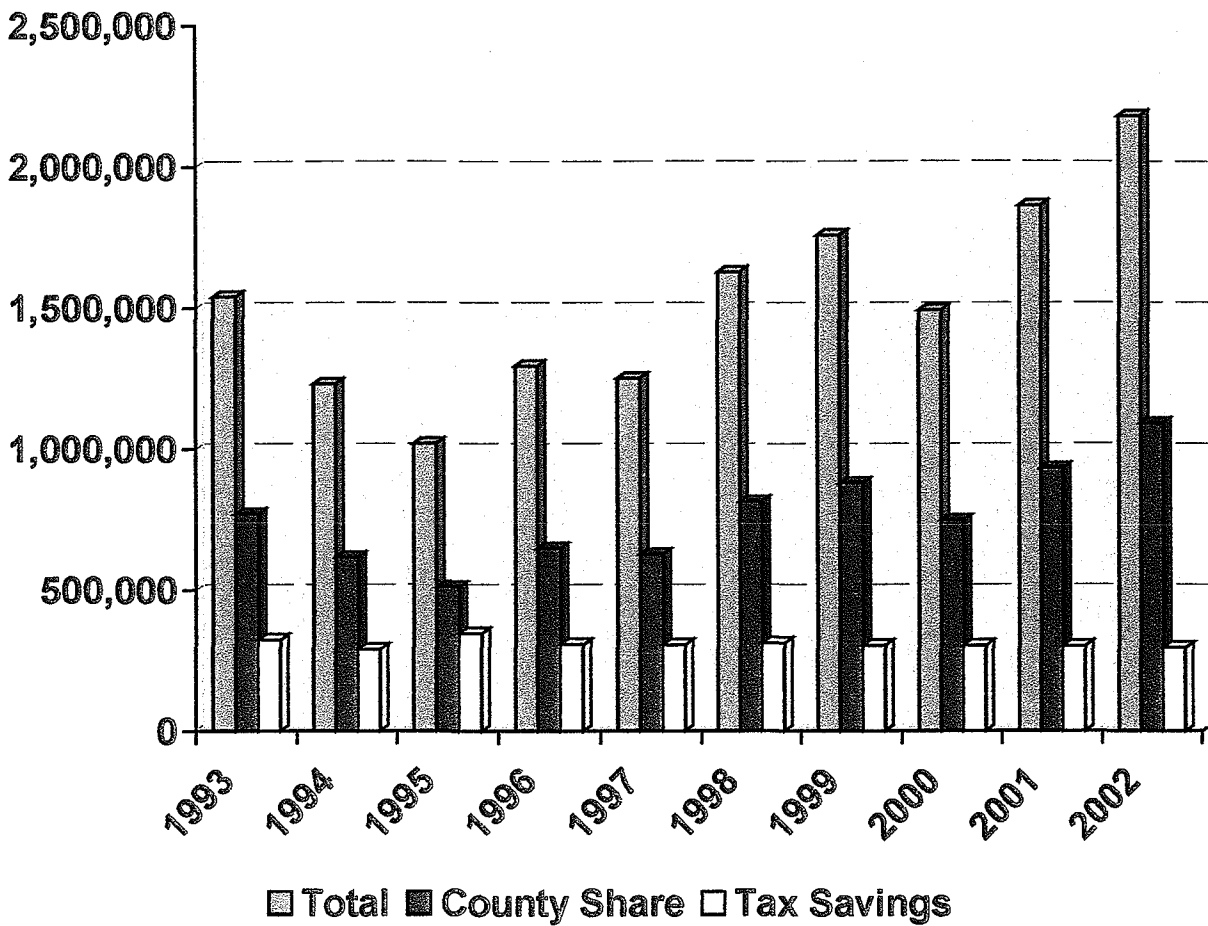
Landowners enrolled in the Agricultural Preserves Program receive a property tax savings, or a conservation credit. The counties use their \$2.50 share of the MRDT fee to compensate for the conservation credit, drawing from the State Conservation Fund if the county proceeds are insufficient to meet tax credit demands. The fees are collected during the calendar year to use in taxes payable the following year. Therefore, fees collected in 2002 apply to taxes payable in 2003.

Ramsey County collects the MRDT fee, but has no land enrolled in the Agricultural Preserves Program. Ramsey County, along with other counties that have funds remaining in their \$2.50 share, may use the funds to pay for other purposes such as conservation planning and implementation.

Table 4 shows the amounts collected by the metropolitan counties for calendar years 1993 through 2002. The table shows three side-by-side bars for each year. The left bar indicates the total revenue generated by the \$5.00 mortgage registration and deed transfer fee for the metropolitan counties. The center bar indicates half that amount, or the counties' \$2.50 share. Finally, the right bar shows the total amount paid that year in conservation credit.

Note that the revenue generated by the \$5.00 fee has increased substantially in the last three years. Lower interest rates on loans and mortgages have sparked loan refinancing, as well as property sales. These real estate transactions generate funding for the agricultural preserves program.

**Table 4
PROGRAM FUNDING HISTORY**



Conservation Credit

One of the Agricultural Preserves Program's important benefits is the property tax savings provided by the agricultural classification of the enrolled land. This property tax savings is called conservation credit. Property enrolled in the Agricultural Preserves Program is assessed for tax purposes according to its agricultural value. Next, a special "agricultural preserve" tax rate is applied, which is calculated as "the tax capacity value multiplied by 105 percent of the previous year's statewide average tax rate levied by townships outside the metropolitan area". The property tax due is either the amount determined by this formula, or by the local tax rate for the city or township where the property is located, whichever is less.

Since 1998, the statewide average tax rate has been increasing, requiring local property tax assessors to use the lower, local tax rate.

The result is that landowners enrolled in the program saw no property tax savings beyond the local rates, making this Agricultural Preserves Program benefit somewhat insignificant. In 1992, the Legislature amended the statute to establish a minimum, guaranteed conservation credit of \$1.50 per acre.

Today, the total conservation credit amounts appear to reflect the program enrollment at the minimum \$1.50 per acre.

Table 5 shows that the property tax credit amount for land enrolled in the Agricultural Preserves is somewhat less than the amount collected in MRDT fees. The program is currently providing property tax benefits at approximately \$1.50 per acre.

Table 5
AG PRESERVES PROGRAM
2003 Funding and Tax Credit

Metropolitan Counties	2003 Land Enrolled (acres)	Total Conservation Credit	Approx Credit per Acre	County Share of Fee CY 2002	Drawn from State Conservation Fund
ANOKA	2,363	\$4,241.00		136,836.75	0
CARVER	96,371	144,631.00		36,815.00	107,816.00
DAKOTA	61,877	93,004.00		160,450.00	0
HENNEPIN	12,081	29,289.00		430,227.50	0
RAMSEY	0	0		163,048.50	0
SCOTT	7,774	11,558.00		59,960.00	0
WASH	9,042	13,304.00		102,627.50	0
METRO TOTAL	189,781	\$296,027.00		\$1,089,965.25	107,816.00
STATE CONSERVATION FUND BALANCE: \$1,753,740.93					

Twin Cities Metropolitan Area
**Metropolitan Agricultural Preserves
2003 Enrollment**

April 13, 2004

