

2019 AGRICULTURE PRESERVES PROGRAM

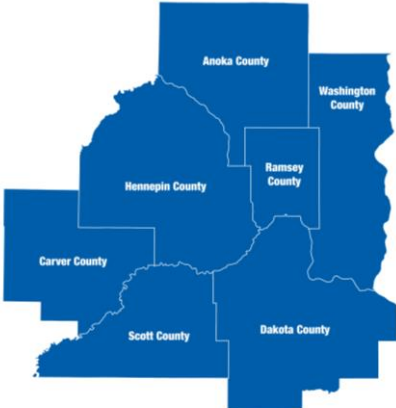


August 2020

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 Metropolitan Agricultural Preserves Program (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 plans. 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 2040 comprehensive planning process. To be eligible for enrollment in the Program, the Future Land Use Map must allow an Agricultural land use with a maximum density of 1 unit per 40 acres.

The report summarizes Program enrollment as of December 31, 2018. 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.



2019 Enrollment Acreage and Overall Trends

In 2019, enrollments in the Program experienced a slight decline, with a 2% decrease in enrolled acreage from the previous year. The 2015 enrollment was the highest enrollment in the Program since its initiation. Since 2015, there has been a small decline in acres enrolled, and the number of enrollments in 2019 closely resemble to that of 2000, which is relatively lower compared to recent years (see Figure 1).

Many landowners began to enroll their land into the Program in 2009, which coincides with the Great Recession (2007 – 2009). 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 1997 through 2009, the enrollment decreased to its lowest point at 179,898 acres. However, enrollment has maintained an upward trend until 2015, and has begun to slightly decline, reaching 202,247 acres in 2019.

Figure 1 – 2000 to 2019 Enrollment Trends (acres) by County

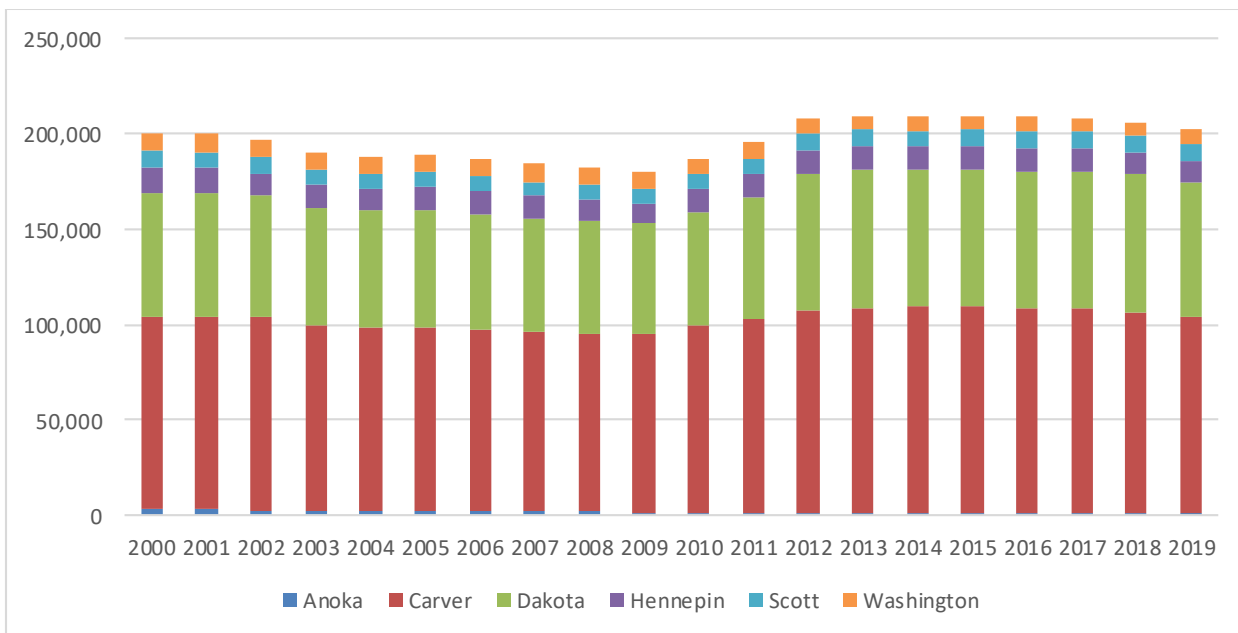


Table 1 shows the enrollment trends between 2000 and 2009, prior to the economic downturn. During this period, all counties experienced a decline in acres enrolled in the Program. This decrease is consistent with the growing outward pressure that the region saw with development at that time. Table 2 shows the trends since 2009, after market recovery. Since 2009, Dakota County has seen the most significant increase in acres enrolled, with just over 12,000 acres (21%). However, the number of acres enrolled have decreased in Carver, Scott, and Hennepin Counties, by 10,000, 1,500, and 400 acres, respectively. Only Scott County experienced an increase in acres enrolled between 2018 and 2019 of 368 acres. Anoka, Washington, and Hennepin Counties have experienced the most decline in the program since 2000, with overall 80%, 21%, and 15% decreases, respectively. Anoka County experienced a significant decrease in acres enrolled this year from 1,210 to 617 acres, a decrease of 50%. Ramsey County does not have any properties enrolled in the program since it is fully developed.

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

| County | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2000-2009 Change | 2000-2009 % Change |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|--------------------|
| Anoka | 3,026 | 2,855 | 2,706 | 2,636 | 2,480 | 2,549 | 2,139 | 2,104 | 1,793 | 1,520 | -1,506 | -50% |
| Carver | 100,995 | 101,266 | 101,065 | 96,371 | 95,835 | 96,115 | 94,621 | 93,518 | 93,739 | 93,271 | -7,724 | -8% |
| Dakota | 64,823 | 64,872 | 63,523 | 61,877 | 61,089 | 61,166 | 60,838 | 59,535 | 58,763 | 57,841 | -6,982 | -11% |
| Hennepin | 13,552 | 13,364 | 11,797 | 12,081 | 11,852 | 12,732 | 12,413 | 12,326 | 11,406 | 11,141 | -2,411 | -18% |
| Ramsey | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Scott | 8,443 | 8,094 | 8,382 | 7,774 | 7,388 | 7,389 | 7,353 | 7,393 | 7,077 | 7,193 | -1,250 | -15% |
| Washington | 9,456 | 9,179 | 9,235 | 9,042 | 8,871 | 9,249 | 9,101 | 9,204 | 9,045 | 8,932 | -524 | -6% |
| Total | 200,295 | 199,630 | 196,708 | 189,781 | 187,515 | 189,200 | 186,456 | 184,080 | 181,823 | 179,898 | -20,397 | -10% |

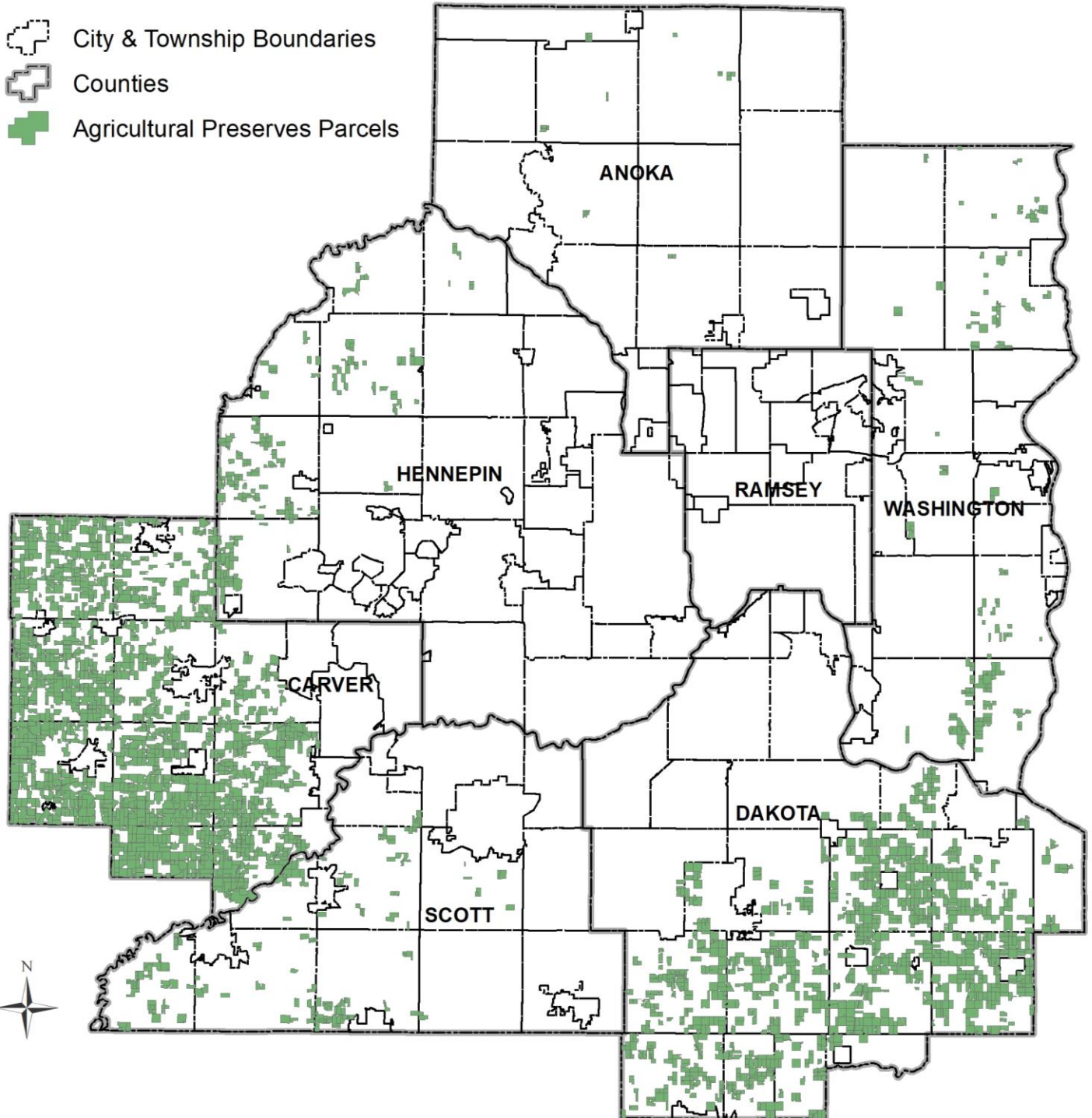
Source: Minnesota Department of Revenue

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

| County | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2009-2019 Change | 2009-2019 % Change |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|--------------------|
| Anoka | 1,520 | 1,591 | 1,313 | 1,196 | 1,205 | 1,210 | 1,210 | 1,210 | 1,210 | 1,210 | 617 | -903 | -59% |
| Carver | 93,271 | 98,337 | 101,576 | 106,352 | 107,376 | 108,558 | 108,221 | 107,297 | 106,961 | 105,349 | 103,767 | 10,496 | 11% |
| Dakota | 57,841 | 59,308 | 63,949 | 71,032 | 72,097 | 70,864 | 71,375 | 71,620 | 71,628 | 71,798 | 70,122 | 12,281 | 21% |
| Hennepin | 11,141 | 12,113 | 12,054 | 12,679 | 12,634 | 12,431 | 12,260 | 12,704 | 12,170 | 12,060 | 11,581 | 440 | 4% |
| Scott | 7,193 | 7,332 | 8,300 | 8,729 | 8,584 | 8,674 | 8,862 | 8,897 | 8,897 | 8,352 | 8,720 | 1,527 | 21% |
| Washington | 8,932 | 8,227 | 7,923 | 7,909 | 7,441 | 7,453 | 7,467 | 7,449 | 7,449 | 7,442 | 7,440 | -1492 | -17% |
| Total | 179,898 | 186,908 | 195,115 | 207,897 | 209,337 | 209,190 | 209,395 | 209,177 | 208,315 | 206,211 | 202,247 | 22,349 | 12% |

Source: Minnesota Department of Revenue

Figure 2. Lands Enrolled in the Metropolitan Agricultural Preserves Program in 2019, Twin Cities Metropolitan Area



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 40 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 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, and generally amount to 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 the conditions of enrollment, including a minimum property size. The Program requires a minimum of 40 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 single 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.

New enrollment forms must be recorded at the County before the annual deadline of June 1 to receive property tax benefits payable the following year. For example, participants enrolling by June 1, 2019, see the property tax benefits reflected in the property tax statements for 2020.

Expiration

As mentioned above, the statute identifies an official eight-year process for properties, when the landowner initiates expiration out of the Program. This time period was set to ensure preservation of agricultural land from development pressure. The statute also identifies exceptions to this expiration, which included declaration of public emergency by the Governor (e.g. for a state highway project) or death of an owner, in which case the property could expire out of the Program earlier than scheduled. However, in 2019, the legislature added a new provision to the statute, providing a new early termination possibility for landowners. Under the new provision, a landowner can at any point apply for early termination of the Agricultural Preserves status with the local authority. The local authority needs a majority vote of its Council/Board to approve the request and then file the approved expiration request document with the County. The addition of this provision is yet to manifest in the acres enrolled. The 2020 enrollment numbers may provide a better understanding of its impacts.

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. Counties must also transfer any unencumbered revenue back to the state each year.

Table 3 shows the Program funding in 2019 and demonstrates that Carver County, with 51% of the total acres enrolled, pays the highest amount of conservation credit to Program participants and draws the most amount from the state conservation fund to pay the outstanding tax credits balance. For payable taxes in 2019, Carver and Dakota counties drew funds from the state conservation fund to reimburse the county conservation credit paid to Program participants.

Table 3 – 2019 Program Funding and Tax Credit Summary

| County | 2019 Acres Enrolled (acres) | 2018 County Conservation Account Revenue (\$) | Credits Reimbursed From County Account | Tax Credits Amount Left in County Conservation Account | Reimbursed From State Conservation Fund and State General Fund |
|--------------|-----------------------------|---|--|--|--|
| Anoka | 617 | 59,518 | 1,649 | 57,869 | 0 |
| Carver | 103,767 | 20,413 | 20,413 | 0 | 198,127 |
| Dakota | 70,122 | 71,305 | 71,305 | 0 | 109,293 |
| Hennepin | 11,581 | 194,396 | 142,650 | 51,746 | 0 |
| Ramsey | 0 | 89,798 | 0 | 89,798 | 0 |
| Scott | 8,720 | 49,056 | 18,654 | 30,402 | 0 |
| Washington | 7,440 | 48,303 | 18,394 | 29,909 | 0 |
| Total | 202,247 | 532,789 | 273,065 | 259,724 | 307,420 |



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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