

GREEN ACRES LAW: THE USE
OF DIFFERENTIAL ASSESSMENT
IN MINNESOTA

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FEBRUARY, 1978

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Minnesota House of Representatives

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PREFACE

Before the study described in the following paper was begun, there was little more than an anecdotal understanding of the Green Acres Law. However, there were many vocal critics and supporters of the Law and there was a bill pending which addressed the criticisms. The purpose of the study was to provide sound data on the actual results of implementing the Law so that the critics and supporters would have an empirical basis for their assertions. To do this, Alan Hopeman, Legislative Analyst in the Minnesota House of Representatives Research Department, analyzed over 700 parcels of land which were assessed according to the provisions of the Green Acres Law in one metropolitan county and four non-metropolitan counties using the Law. He also examined the use of the Open Space Property Tax Law in the metropolitan county which was under study.

In the following paper, Hopeman describes the problem and the questions he was addressing and he briefly outlines the method he used to do the study. Most importantly, on a series of Tables and Maps, he shows what he found. For the most part, there are no conclusions, only choices. This paper provides information to help legislators make their own choices.

In the course of the study, Hopeman was assisted by Mr. Tim Masanz and Mr. Mark Schroeder with data collection; Masanz also contributed significantly to the computer analysis of the data. The Dakota County Assessor and the Dakota County Auditor were most cooperative and assisted in compiling the data.

Although others may be interested in this subject, the study resulted because of legislative interest and the paper is written primarily for legislators. Questions and comments about the subjects, study design or the paper are welcome and should be directed to Mr. Hopeman, 296-7434.

Peter Levine
Director
Minnesota House of Representatives
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TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Preface..... | i |
| List of Maps..... | iii |
| List of Tables..... | iv |
| Summary of Findings..... | 1 |
| Chapter I. Introduction..... | 6 |
| II. Description of Green Acres Law..... | 8 |
| III. Criticisms of Green Acres Law..... | 10 |
| IV. The Problem..... | 12 |
| V. Green Acres in Dakota County: Description of the Study..... | 15 |
| VI. Analysis of Dakota County Data..... | 21 |
| VII. Use of Green Acres Law in Counties Not Located Within or Adjacent to Twin Cities Metropolitan Area..... | 39 |
| VIII. Differential Assessment of Open Space Land in Dakota County..... | 50 |
| IX. Concluding Recommendations..... | 53 |
| Glossary of Terms..... | 55 |

LIST OF MAPS

| | <u>Page</u> |
|---|-------------|
| Map I. Location of Dakota County, Minnesota..... | 16 |
| Map II. Dakota County: Cities Containing Property Assessed According to Green Acres Law..... | 18 |
| Map III. Minnesota Counties Implementing Green Acres Law Not Located Within or Adjacent to Twin Cities Metro- politan Area..... | 40 |
| Map IV. Green Acres Property in Blue Earth County, Minnesota, 1976 (City of Makato and Vicinity)..... | 41 |
| Map V. Green Acres Property in Clay County, Minnesota, 1976 (City of Moorhead and Vicinity)..... | 43 |
| Map VI. Green Acres Property in Lyon County, Minnesota, 1976 (City of Marshall and Vicinity)..... | 45 |
| Map VII. Green Acres Property in Stearns County, Minnesota, 1976 (City of St. Cloud and Vicinity)..... | 47 |
| Map VIII. Agricultural Land Differentially Assessed According to Green Acres Law, Dakota County, Minnesota, 1976 and 1969..... | back cover |

LIST OF TABLES

Page

| | | |
|-----------|---|----|
| Table 1. | Agriculture in Dakota County, Minnesota, 1974..... | 15 |
| Table 2. | Dakota County Totals - Green Acres Program, 1976..... | 21 |
| Table 3. | Dakota County Green Acres Assessment Acreage, by City..... | 23 |
| Table 4. | 1976 Green Acres Parcels That Were Not Enrolled in 1972, by City, Dakota County..... | 25 |
| Table 5. | Tax Reduction Due to Green Acres Program, by City, Dakota County, 1976 | 27 |
| Table 6. | Size of Holdings, Dakota County, 1976..... | 28 |
| Table 7. | Deferral of Special Local Assessments, Dakota County, 1976..... | 31 |
| Table 8. | Types of Deferred Special Local Assessments, Dakota County, 1976..... | 32 |
| Table 9. | Characteristics of Green Acres Property According to Homestead Status, Dakota County, 1976..... | 34 |
| Table 10. | Amount of Green Acres Property by Zoning Class, Dakota County, 1976 | 35 |
| Table 11. | Zoning Classification of Green Acres Property by City, Dakota County, 1976..... | 36 |
| Table 12. | Green Acres Program, Blue Earth County, 1976 Tax Year (Payable 1977)..... | 42 |
| Table 13. | Frequency Distribution of Number of Acres Differentially Assessed by Owner, Lyon County, 1976..... | 44 |
| Table 14. | Green Acres Program, Lyon County, 1976 Tax Year (Payable 1977) | 46 |
| Table 15. | Green Acres Program, Stearns County, 1976 Tax Year (Payable 1977)..... | 48 |
| Table 16. | Open Space Assessment Valuation, Dakota County, 1976..... | 52 |

SUMMARY OF FINDINGS

This paper explores the implementation of the "Green Acres Law (Minnesota Statutes Section 273.111) in five Minnesota counties: Dakota, Lyon, Clay, Blue Earth, and Stearns. The most emphasis was placed on Dakota County, which is the heaviest user of the Green Acres Law among these five counties. In addition, the use of the Open Space Property Tax Law (Minnesota Statutes Section 273.112) in Dakota County was studied.

A brief study conducted by the Minnesota Department of Revenue in March, 1977, revealed that sixteen Minnesota counties use the Green Acres Law. Of these sixteen, twelve were located within or adjacent to the seven-county Twin Cities Metropolitan Area. Dakota County was studied as an example of metropolitan area counties using the Green Acres Law, for the 1976 tax year (payable 1977).

Effects of Proposed Statutory Changes on Green Acres Property in Dakota County

One of the major objectives of this research project was to gauge the probable effects of the statutory changes proposed in House File 1269 on the Green Acres program.

Raising the minimum farm size for qualification as Green Acres property from the present 10 acres to 40 acres would eliminate an estimated 2,430 acres from the program in Dakota County, held by 103 owners. This number of acres removed from the Green Acres program would increase tax collections by approximately \$90,000 annually.

Non-homestead property enrolled in the Green Acres program in Dakota County accounts for 6,070 acres, or 19.7 percent of the land enrolled. Amending the law to exclude non-homestead property would exclude that number of acres. Forty-six owners hold this amount of property.

If both of the above changes were made--raising the minimum farm size to 40 acres and excluding non-homestead property--an estimated 111 owners in Dakota County would be excluded from Green Acres coverage. These owners hold 6,958 acres or 24 percent of the land enrolled in Green Acres in Dakota County. The tax reduction awarded these owners in 1976 was \$212,200, while deferrals of special local assessments on their property in 1976 totalled \$118,051.

Another proposed change was to allow local units of government to refuse to enroll property in Green Acres if agricultural use of the property would conflict with comprehensive plans. The effect of this proposal is difficult to evaluate, because it is difficult to predict the behavior of local governing officials. Two means of prediction were hypothesized:

(1) whether local officials would afford differential assessment to property would depend upon the current zoning classification; and

(2) local officials would not afford differential assessment to property bearing deferred special local assessments.

If the zoning classification is an accurate prediction, then the 58.4% of Green Acres property in Dakota County that is zoned residential or commercial/industrial would probably be refused differential assessment. However, the extreme variation in zoning practices among cities in Dakota County places this predictor under suspicion. Five cities in Dakota County that contain Green Acres property have no such property zoned for agricultural use.

The presence of special local assessments is perhaps a better prediction of whether local officials would allow property to enroll in the Green Acres program, if the officials had the option of refusal. Deferred special local assessments were in existence for 37 percent of the Green Acres parcels in Dakota County in 1976.

Another feature of H.F. 1269 was the repeal of the Open Space Property Tax Law, Minnesota Statutes, Section 273.112. While only one eligible property was assessed according to the provisions of this law in Dakota County in 1976, thirteen establishments will be so assessed in 1977. Use of Open Space assessment procedures will reduce taxable values on these establishments by an estimated \$3.4 million in 1977. Repeal of the law, of course, would restore the \$3.4 million of property to being fully taxable.

Unequal Application of Green Acres Law

One of the principal discoveries of this research project was the apparent inequity of the sporadic application of the Green Acres program. Green Acres assessment practices are not widely used in non-metropolitan Minnesota. It seems quite possible that use-value assessment is being applied to farmland in many counties without the safeguards contained in the Green Acres Law. This implies unfair treatment of taxpayers, especially those farm property owners in other jurisdictions that are enrolled in the Green Acres program and must pay rollback taxes if they develop or sell their property.

In Dakota County, the use of Green Acres assessment practices is confined to incorporated cities in the northern half of the county. An arbitrary line divides this northern portion of the county from the remainder, where the assessor assumes market value of property to be equal to the agricultural use-value. Thus farmers on both sides of the line pay property taxes based upon use-value. However, the question arises whether the property in the southern half of the county does not, in fact, have an increment of value that is attributable to development potential. If so--as seems plausible--then taxpayers north and south of the line are not receiving equal treatment. In some cases landowners may be separated by no more than the width of a roadway, yet the owner on the north side of the line must

pay a rollback tax upon sale or development of his land, while the owner on the south side pays no rollback.

Other Findings

In Dakota County:

- 29,250 acres of property were differentially assessed according to the provisions of the Green Acres Law;
- The Green Acres property was held by 322 owners, who had their taxes reduced by \$625,400, and payment of special local assessments of \$515,900 was deferred;
- The average owner held 90.84 acres of land enrolled in Green Acres;
- The Green Acres program resulted in an average tax reduction of \$21.38 per acre, or \$1,942 per owner;
- The tax reduction per acre was greatest in those cities nearest the Twin Cities;
- Property with deferred special assessments generally received a greater tax reduction than property without such assessments;
- Ninety percent of the parcels having any deferred special assessments had an assessment for sewer service;
- Parcels with water, sewer, and street assessments account for nearly half the dollar value of deferred assessments, yet these parcels comprise only one-fourth of the numbers of parcels having deferred assessments;
- Ten percent of the parcels enrolled in the Green Acres program in 1976 have been divided at least once since 1972, with two parcels being divided four times or more;
- Twenty-two percent (by number) of the parcels enrolled in the Green Acres program in 1976 were platted lands. These account

for 498 acres or 1.7% of the land area enrolled in Green Acres.

Some farmer-developers sell a few subdivided lots each year, while taxes and assessments are deferred on the remainder of their holdings, which gives them an economic advantage over other developers;

- There was substantial change in land enrolled in Green Acres between 1969 and 1976, as evidenced by the map enclosed inside the back cover.

In the non-metropolitan counties studied:

- These counties exhibited great variation in the extent to which Green Acres assessment practices were used, ranging from one parcel in Clay County to 39 parcels in Lyon County.

I. INTRODUCTION

This paper describes a research project begun by the Minnesota House of Representatives Research Department after the 1977 Legislative Session. The primary purpose of the research project was to obtain factual information for legislators on the implementation of the Minnesota Agricultural Property Tax Law, Minnesota Statutes Section 273.111. This so-called "Green Acres Law" provides for reductions of tax valuations on agricultural property that is affected by the approach of urban development. The law is described in Chapter II.

A secondary objective was to obtain information on the implementation of the Minnesota Open Space Property Tax Law, Minnesota Statutes Section 273.112. This latter law provides for reduced tax assessments on golf courses and ski areas where the urban development potential of the property has caused taxable values to increase beyond the value of the property in its current use.

A number of critics have expressed dissatisfaction with the Green Acres Law. Some frequent criticisms are discussed in Chapter III of this report.

During the 1977 Session, a bill had been introduced by Representative Lyle Abeln proposing some major changes in the Green Acres Law and repeal of the Open Space Property Tax Law. This bill, House File (H.F.) 1269, was the subject of extensive study and hearings in the Land Use Subcommittee on Taxes of the committee. The principal problem addressed by this research project was to collect data to enable legislators to objectively evaluate the merits of H.F. 1269. This problem is more extensively discussed in Chapter IV of this study.

Chapter V is a description of the study of the Green Acres Law undertaken in Dakota County. Chapter VI presents the results of that study.

Chapter VII describes the use of the Green Acres Law in the four

counties outside the metropolitan Twin Cities area that were selected for study.

Chapter VIII discusses the use of the Open Space Property Tax Law.

Chapter IX is a review of the findings and conclusions of this report. Following Chapter IX is a glossary of terms for those who may be unfamiliar with real estate tax terminology.

II. DESCRIPTION OF GREEN ACRES LAW

The Minnesota Agricultural Property Tax Law, Minnesota Statutes, Section 273.111, was passed by the Legislature in 1967. This law has come to be known the name, "Green Acres." Its stated purpose is to serve the public interest by "...equalizing tax burdens upon agricultural property within this state through appropriate taxing measures."

The law provides for preferential/deferred assessment of agricultural land consisting of ten or more acres. Any qualifying parcel is to be assessed "...with reference to its appropriate agricultural classification and value...In determining such value for ad valorem tax purposes the assessor shall not consider any added values resulting from nonagricultural factors." Thus any increase in value of agricultural property that is attributable to urban development potential is not taxable. Also, special local assessments for sewer, water, streets and the like are deferred for as long as the property qualifies under the program.

When Green Acres property is sold or no longer qualifies for inclusion in the program, a "rollback tax" falls due. A tax is levied equal to the amount by which the Green Acres preferential assessment reduced the tax due on the property over the previous three years. Special local assessments that were deferred also fall due, and must be paid, with interest. If the special local assessments are not paid within 90 days, a penalty is added, equal to ten percent of the special assessments.

In order to qualify for coverage under the Green Acres Law the property must meet three tests: a minimum size of ten acres, an "ownership" test, and a "use" test. The owner must apply to the assessor for Green Acres classification, but is not required to reapply annually.

The "ownership" test requires that, in order to qualify, property

must be owned in one of three ways. It must:

- be the homestead of the owner, or the homestead of a surviving spouse, child, or sibling of the owner;
- have been in the possession of the applicant or the applicant's parent, spouse, or sibling for seven years; or
- be the homestead of a shareholder in a family farm corporation.

The "use" test stipulates that qualifying property must be actively and exclusively devoted to agricultural use. Property is considered to be in agricultural use if it:

- provides at least one-third of the owner's total family income, or total production income (including rental) is \$300 plus \$10 per tillable acre; and
- is devoted to the production for sale of farm products.

There is no local option on the part of the county, municipality, or township for implementation of the provisions of the Green Acres law. The choice lies with the property owner. If the owner applies for differential assessment and meets the qualifying criteria, the local assessing authority must assess the property according to its agricultural value. In virtually all other cases Minnesota tax law requires that property be assessed at market value.

III. CRITICISMS OF GREEN ACRES LAW

The Green Acres Law has both critics and defenders. Some critics characterize it as an utter failure; some defenders view it as the salvation of the farmer near urban areas--an "udder" success, so to speak. In this chapter some of the most frequently articulated criticisms are isolated for later examination.

The Green Acres Law was passed primarily as a tax relief measure. Booming land values caused by spurting urban growth in the 1960's, combined with state law requiring all property to be assessed at market value, raised property taxes on farms near urban areas beyond farmers' ability to pay. The Green Acres law was enacted in 1967 to protect the farmer from the economic disruption that accompanies vastly inflated land values for farmland on the urban fringe. As an added benefit of the law, it was claimed that urban development would be slowed, since the law would enable the farmer to refrain from selling to the land developer at the first opportunity.

The Green Acres Law has evidently been successful in providing tax relief for farmers, but has not lived up to expectations regarding the stemming of urban sprawl. In addition, the decade of the seventies has seen new concerns arise over the rate at which high-quality agricultural land has been developed and removed from agricultural production. Policymakers who have looked to the Green Acres Law as a tool for preserving agricultural land have sometimes condemned it as a failure, perhaps forgetting its success in achieving its stated purpose of providing tax relief.

One alleged shortcoming is that no mention is made of land productivity in the requirements to qualify for use-value assessment under the Green Acres Law. Thus very high quality cropland is accorded the same tax treatment as marginal pasture land. If an agricultural land preservation program

is to encourage a high level of agricultural output, efforts should be concentrated on land with higher productivity potential.

Also, the farmer is merely required to file a request in order to qualify for use-value assessment. Some critics assert that, in return for a tax reduction, farmers should be required to commit their land to agricultural use for an extended period of time. The present penalty clause for the conversion of land that has been assessed at use-value is too weak to act as a deterrent to development. Farmers assert the opposite point: without a commitment from the government that property will continue to receive Green Acres benefits, farmers will curtail long-term investment plans and sell to a developer at the first good opportunity.

Moreover, use-value assessment may be contrary to aims of local government. If the county or city is in favor of the development of a particular parcel of farmland, use-value assessment is counter to this desire. The owner of that parcel of land is encouraged, via lower taxes, to maintain the land as farmland. Further, since owners of non-agricultural land must pay increased taxes to make up for taxation foregone by the governing body via use-value assessment of agricultural lands, the net effect is that other landowners must subsidize a land use that is not in compliance with local planning efforts.

One of the most frequent criticisms of the Green Acres Law is the claim that the wording of the statute is too broad, so that many "hobby farms" and estates are able to qualify for use value assessment. This extends tax relief to persons with comparatively high incomes, and also encourages scattered large-lot development on the urban fringe. The conversion of large viable commercial farms to smaller units occurs at the expense of their preservation as agricultural land.

IV. THE PROBLEM

During the 1977 Legislative Session, the House Tax Committee created a subcommittee to examine the Green Acres Law and to consider updating the law, among other tasks. The hearings subsequently held by the Land Use Subcommittee revealed clearly that there was a dearth of data and research regarding the Green Acres Law. As a consequence, in June, 1977, the Minnesota House of Representatives Research Department began to collect and analyze data on the Green Acres Law so that legislators in 1978 would be better able to weigh the effects of proposed changes.

The one bill that was heard by the Green Acres Subcommittee was H.F. 1269, introduced by the Subcommittee Chairman, Representative Lyle Abeln of Bloomington. The bill proposed a number of amendments to the Green Acres Law. Despite hours of hearings, the bill was not recommended for passage by the Subcommittee, in part due to uncertainty over the probable effects of the changes. Again, the need for further research on the Green Acres Law was evident, with H.F. 1269 a convenient focusing mechanism for proposed study.

Included in H.F. 1269 were the following key statutory changes:

- a) The minimum parcel size for qualification as Green Acres property would be raised from 10 to 40 acres.
- b) Non-homestead property would be eliminated from Green Acres coverage.
- c) Cities and counties would be given the power to reject applications for Green Acres assessment if agricultural use of the property would conflict with comprehensive plans.
- d) Minnesota Statutes 273.112, the Open Land Property Tax Law, would be repealed. This law provides for preferential and

deferred assessment of open space property, such as ski areas and golf courses.

- e) The income requirements for determining whether Green Acres property is in bona fide agricultural use would be raised.

The House Research Department studied the problem and chose the case study method to gain an insight into the operation of the Green Acres Law and the effects of proposed changes. By selecting a limited number of counties for study, the research design could be kept to a manageable scope, yet could provide significant detail. The purpose of the study was to examine the impact of each of the statutory changes noted above, with the exception of e) above which was deemed to be beyond the scope of the study.

Dakota County was chosen for detailed study. This county was selected for three major reasons:

- 1) The size of Green Acres total acreage is representative of the sixteen counties using the program, based upon information provided by the Minnesota Department of Revenue.
- 2) Dakota County's early participation in the Green Acres program---commencing shortly after initial passage of the Act in 1967---made possible comparisons over time, to the extent permitted by the quality of records.
- 3) Dakota County has a strong agricultural base, with more cropland than any of the other six counties in the Twin Cities metropolitan area.

A data collection effort was begun in late June, 1977, in Dakota County, with the expectation that analysis of the data would provide measures of the effects of the changes proposed in H.F. 1269. The only exception to this was the portion of the bill regarding income requirements; evaluation

of the effects of these changes would have required a survey of a sample of Green Acres enrollees, which was not deemed efficient given the limited time and resources available.

In addition to the intensive study of Dakota County, the implementation of the Green Acres law was examined in four counties located at some distance from the metropolitan area. While the Green Acres Law applies to the entire state, it is seldom used except in the seven-county metropolitan area and the first ring of counties around that area. It seemed that a review of the use of Green Acres in counties well outside of the metropolitan area might provide valuable information for legislators considering changes in the law.

V. GREEN ACRES IN DAKOTA COUNTY: DESCRIPTION OF THE STUDY

The Study Area

The location of Dakota County is shown on map I, page 16. The county covers an area of 571 square miles, which equals approximately 365,440 acres. The county population in 1976 was estimated at 183,898, with 172,186 of these persons residing within incorporated cities, and 11,712 residing in townships.* The bulk of the population resides in the northern portion of the county, nearest the cities of Minneapolis and St. Paul.

Statistical information on agriculture in Dakota County is given in Table 1. Note that in 1974, there were 1,076 farms in Dakota County, covering 240,500 acres, or approximately two-thirds of the county's land area. Gross farm sales totalled slightly over \$38 million in 1974.

TABLE 1

Agriculture in Dakota County, Minnesota, 1974

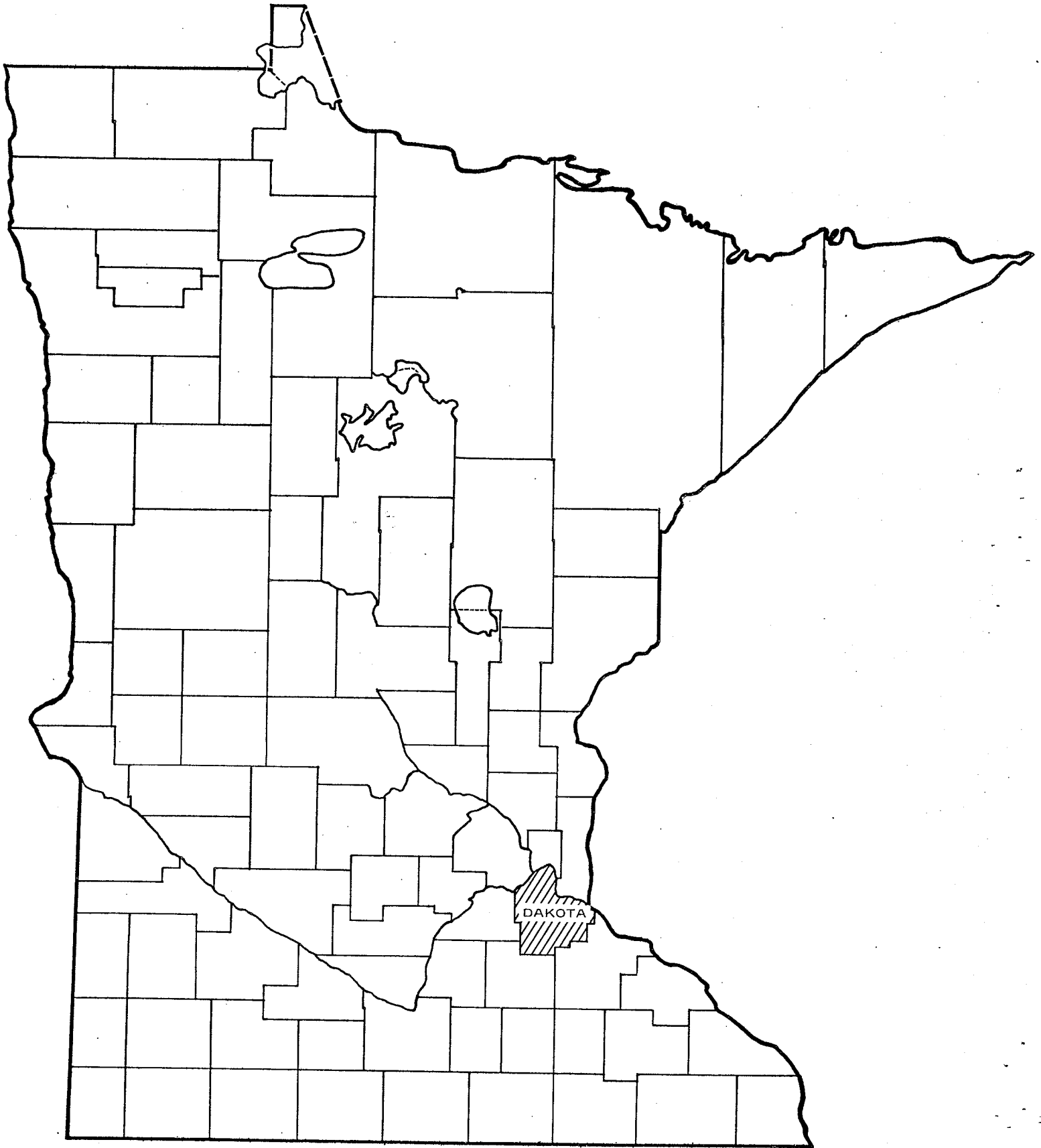
| | |
|-------------------------------------|---------------|
| Number of Farms | 1,076 |
| Land in Farms | 240,543 acres |
| Average Size of Farm | 224 acres |
| Cropland | 198,687 acres |
| Value of Agricultural Products Sold | \$38,009,000 |

Source: 1974 Census of Agriculture, Preliminary Report, U. S. Dept. of Commerce. Issued July, 1976. For the purposes of this census, a "farm" was defined as a place selling \$250 or more in agricultural products, or a place of 10 or more acres selling \$50 or more in agricultural products.

*Dakota County Engineer's Office

MAP I

LOCATION OF DAKOTA COUNTY, MINNESOTA



During the 1976 tax year (payable 1977), the sum of 29,232.6 acres of land was differentially assessed according to the provisions of the Green Acres Law. All of this land was located in the following cities:

Apple Valley
Burnsville
Eagan
Farmington
Hastings
Inver Grove Heights
Lakeville
Mendota Heights
Rosemount
Sunfish Lake
West St. Paul

No property located outside of incorporated cities was differentially assessed. Cities having Green Acres property within their boundaries are shown on map II, page 18. The Green Acres property comprises approximately 8% of Dakota County's total land area, and about 12% of the land in farms in Dakota County.

The bulk of the political jurisdictions of the county have no property enrolled in the Green Acres program, as shown by the shaded area of map II. South St. Paul at the northern tip of the county simply contains no agricultural property that qualifies for Green Acres assessment. The southern half of the county (the larger shaded area on the map) is largely agricultural land, but no parcels are presently assessed according to the provisions of the Green Acres Law. This is because the market values on agricultural property as determined by the County Assessor have not risen above the agricultural values; nor are there special local assessments on farmland for which owners might want to defer payment.

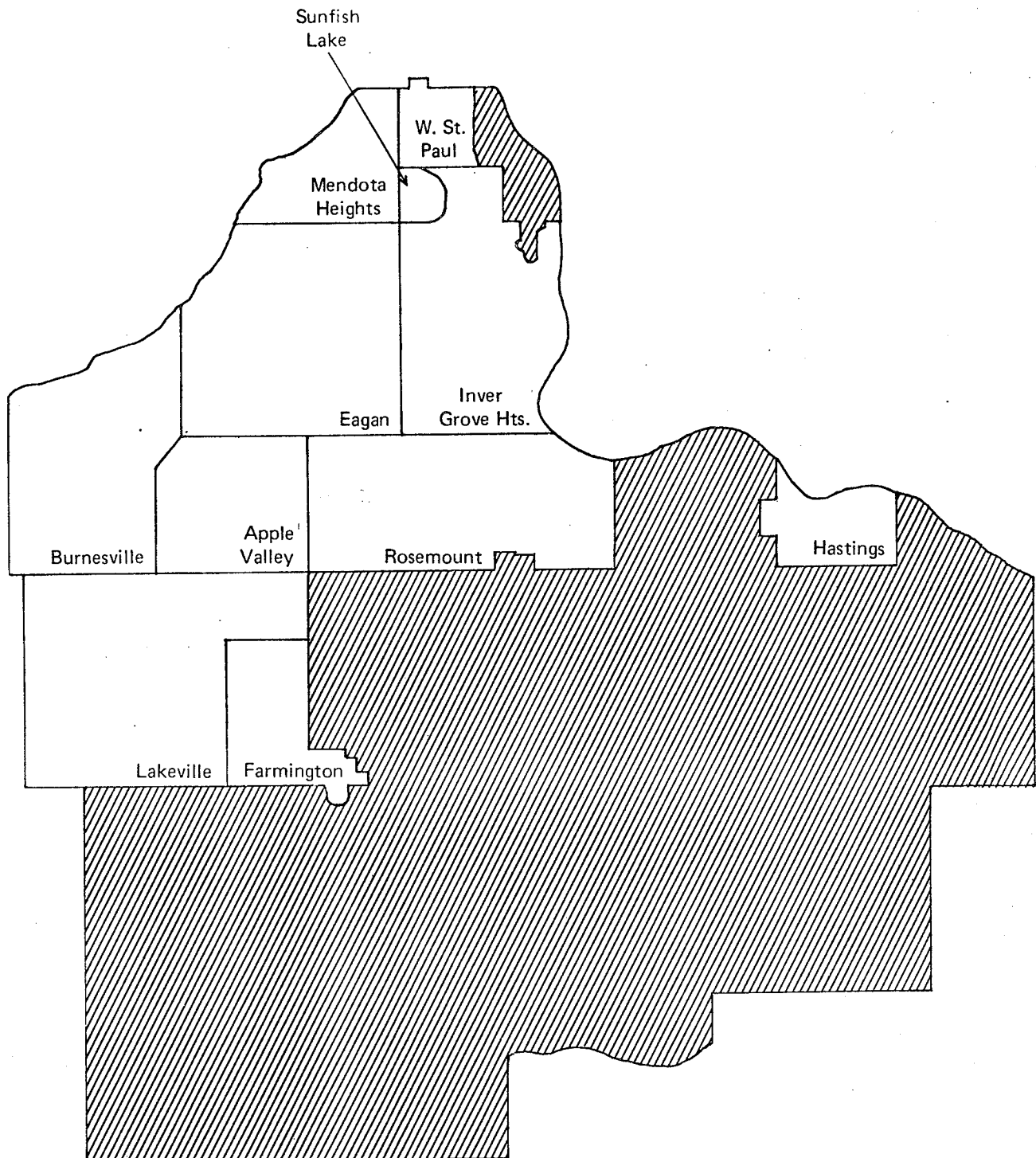
The County Assessor's office has accepted a number of applications for Green Acres treatment from farmers located in the southern half of the county. These applications remain on file so that the landowners can


MAP II

DAKOTA COUNTY:

CITIES CONTAINING PROPERTY

ASSESSED ACCORDING TO GREEN ACRES LAW



 Townships and Cities containing no property assessed according to Green Acres Law

be easily enrolled in the program if this becomes necessary. However, until the County Assessor concludes that urban development pressure on farmland in the southern portion of the county has caused market values to exceed agricultural values, or until special local assessments are levied against farm property in the southern portion of the county, landowners have no need to enroll in the Green Acres program.

Data Collection

Data on Green Acres property was obtained from tax records held in the offices of Dakota County Assessor and Dakota County Auditor. In addition, zoning information was obtained from each of the cities containing Green Acres property.

The following was obtained from the tax lists of Green Acres property as compiled by the County Auditor, for the 1976 tax year, for each parcel:

- Owner's name
- Location
- Legal Description
- Acreage (if given in legal description)
- Assessed values for land and buildings
 - market value
 - limited market value
 - limited agricultural value
- Taxes due
 - market value taxes
 - agricultural value taxes
- Special local assessment deferrals
- Homestead/non-homestead status
- Whether parcel is platted land

The County Assessor's field cards were then checked to obtain further information, including:

- verification of assessed value of parcels, when necessary
- whether lots had been sold from a parcel enrolled in the Green Acres program
- full (not limited) agricultural value
- verification of acreage.

Other sources of information in the Assessor's office were also utilized, such as section maps and microfilms of platted subdivisions.

An attempt was also made to compile similar information on parcels enrolled in the Green Acres program in 1972, using the tax lists for the 1972 tax year (payable 1973). The purpose was to discover changes over time in Green Acres enrollment. Of greatest interest was the intended compilation of a map showing 1972 Green Acres land that could be overlaid on a map of 1976 Green Acres land. Unfortunately, this effort had to be abandoned, as the 1972 tax rolls did not contain a complete description of parcels enrolled. On occasion two or more Green Acres parcels were covered under the same entry, with descriptive tax information included for only one parcel. Conversion to computerized data processing after 1972 complicated the records further, making it extremely difficult--and somewhat unreliable--to reconstruct the 1972 Green Acres enrollments.

However, the Dakota County Assessor's office did prepare a map of Green Acres parcels registered in the county in 1969, the second year of the Green Acres program, which was loaned to the Research Department. This map was used, along with 1976 Green Acres data, to illustrate changes in Green Acres enrollment from 1969 to 1976.

VI. ANALYSIS OF DAKOTA COUNTY DATA

There were 750 parcels of Dakota County land assessed according to the provisions of the Green Acres law in 1976. These parcels were held by 322 different owners. Countywide totals for various measures are shown in Table 2. This table shows that the 322 owners paid taxes that were reduced by a total of \$625,404 for an average reduction of \$21.38 per acre. Note that the number of parcels is greater than the number of owners, since many owners (43%) hold more than one parcel.

TABLE 2
Dakota County Totals: Green Acres Program, 1976

| | <u>TOTALS</u> | <u>AVERAGE PER PARCEL</u> | <u>MEDIAN PER PARCEL</u> | <u>AVERAGE PER OWNER</u> | <u>MEDIAN PER OWNER</u> |
|--|---------------|-------------------------------|------------------------------|------------------------------|-----------------------------|
| Number of Parcels | 750 | | | | |
| Number of Owners | 322 | | | | |
| Number of Acres | 29,250 | 38.99 | 28.30 | 90.84 | 65.50 |
| Market Value Tax, Total | \$ 898,301 | \$ 1,198 | \$ 769 | \$ 2,790 | \$ 1,952 |
| Agricultural Value Tax, Total | \$ 272,897 | \$ 364 | \$ 200 | \$ 848 | \$ 484 |
| Tax Reduction Due to Green Acres, Total | \$ 625,404 | \$ 834 | \$ 422 | \$ 1,942 | \$ 1,183 |
| Limited Market Value, Total | \$32,400,640 | \$43,201 | \$31,220 | \$100,623 | \$73,090 |
| Limited Agricultural Value, Total | \$11,428,627 | \$15,238 | \$ 9,045 | \$ 35,493 | \$26,760 |
| Valuation Reduction Due to Green Acres, Total | \$20,972,013 | \$27,963 | \$15,190 | \$ 65,130 | \$41,745 |
| Special Local Assessments Deferred, 1976 | \$ 515,912 | \$ 1,862 | \$ 863 | \$ 5,058 | \$ 2,144 |
| Sum of Tax Reduction Due to Green Acres and Special Local Assessment Deferred: | | | | | |
| a. With No Assessments | \$ 388,322 | \$ 821 | \$ 505 | \$ 1,497 | \$ 1,083 |
| b. With Deferred Assessments | \$ 752,994 | \$ 2,718 | \$ 1,181 | \$ 7,960 | \$ 4,524 |

The data obtained in Dakota County was coded and processed using the Statistical Package for the Social Sciences Version 6.5, by contract through the Interactive Timesharing Program (MIRJE) of the University of Minnesota. Separate files were created by parcels, owners and townships, allowing cross analysis of results. The analysis was almost exclusively limited to descriptive statistics of this comprehensive sample.

Location of Parcels Enrolled in Green Acres

As was noted, all differentially assessed Green Acres property in Dakota County is located within incorporated cities. Some landowners in other parts of the county have applied to the assessor for differential assessment, but such property has not yet been differentially assessed. The assessor has concluded that the market value for agricultural property in those areas is not greater than the agricultural use-value.

Table 3 displays the amount of acreage enrolled in the Green Acres program by city. West St. Paul, with only one owner qualifying for Green Acres assessment, has the least amount of acreage, 38.8 acres. Rosemount, with 7947.4 acres, has more Green Acres property than any other city in the county.

Table 3 also shows the average parcel size by city, and the average size of holdings per owner, by city. The average size of holding varies from 31.9 acres per owner in Mendota Heights (close to St. Paul) to 163.4 acres per owner in Rosemount.

Clearly the cities with the smallest amount of Green Acres property are the most urbanized, located in the northernmost portions of the county. Conversely, the cities with the greatest amount of Green Acres property are rural in character and are located further south.

TABLE 3

Dakota County Green Acres Assessment Acreage, by City

| <u>CITY</u> | <u>NUMBER OF ACRES ENROLLED IN CITY</u> | <u>NUMBER OF PARCELS</u> | <u>AVERAGE PARCEL SIZE IN CITY (ACRES)</u> | <u>NO. OF OWNERS WITH ENROLLED LAND PER CITY</u> | <u>AVERAGE SIZE OF HOLDING PER OWNER IN CITY (ACRES)</u> |
|---------------------|---|------------------------------|--|--|--|
| Apple Valley | 2,473.3 | 45 | 55.0 | 26 | 95.13 |
| Burnsville | 889.6 | 28 | 31.8 | 13 | 68.43 |
| Eagan | 2,911.3 | 83 | 35.1 | 50 | 58.23 |
| Farmington* | 3,758.1 | 51 | 73.7 | 23 | 163.40 |
| Hastings | 329.1 | 11 | 29.9 | 6 | 54.86 |
| Inver Grove Heights | 4,744.1 | 215 | 22.1 | 89 | 53.30 |
| Lakeville** | 5,933.7 | 175 | 33.9 | 57 | 104.10 |
| Mendota Heights | 95.7 | 5 | 19.1 | 3 | 31.90 |
| Rosemount | 7,947.4 | 129 | 61.6 | 69 | 115.18 |
| Sunfish Lake | 128.7 | 7 | 18.4 | 2 | 64.35 |
| West St. Paul | 38.8 | 1 | 38.8 | 1 | 38.83 |
| County Total | <u>29,249.9</u> | <u>750</u> | <u>39.0</u> | <u>322***</u> | <u>86.28</u> |

* Includes Farmington Village

** Includes Lakeville Village

*** Eighteen owners have land in more than one township. For this table, they were treated separately within each township, yielding a total of 339 owners.

Inside the back cover of this report is a folded map showing Green Acres property enrolled in Dakota County for the 1969 and 1976 tax years. Parcels enrolled in 1976 are shown in green, while those enrolled in 1969 are shown by black dots. A parcel enrolled in both years will be covered by both. Only those parcels which were actually differentially assessed are shown on the map as enrolled parcels. (Many landowners located in portions of the county where differential assessment practices are not yet utilized by the County Assessor have applied for Green Acres treatment. These parcels were not considered to be Green Acres property for the purpose of preparation of the enclosed map).

Study of the map reveals that Green Acres enrollments did change over the period 1969-1976. Additions to the program were concentrated principally in southwest Rosemount, Lakeville, and northwest Inver Grove Heights.

Property removed from Green Acres between 1969 and 1976 was concentrated generally along Interstate 35W in Lakeville, along State Trunk Highway 13 in Burnsville and Eagan, in south central Inver Grove Heights, and in the west part of Apple Valley. Green Acres property in Hastings was reduced by half, although the acreage was initially small.

As was noted in the previous chapter, it was not possible to quantify the Green Acres enrollments in 1972 with sufficient accuracy to use the data to compare 1972 and 1976. There simply was no single, compact source of 1972 data that included entries for all parcels enrolled in that year. It was possible, however, to ascertain whether parcels enrolled during 1976 were so enrolled in 1972. This was done by checking the assessors' field cards of currently enrolled parcels.

Table 4 gives the quantity of Green Acres property that was enrolled in 1976 but was not enrolled in 1972, by city. There were 2955 acres of such new enrollments between 1972 and 1976 in Dakota County, with over 1/3 of the new enrollments located in Rosemount.

TABLE 4

1976 Green Acres Parcels That Were Not Enrolled in 1972, by City, Dakota County

| CITY | 1976 GREEN ACRES PROPERTY NOT ENROLLED IN 1972: BY ACRES | PERCENT OF 1976 LAND | NUMBER OF PARCELS NOT ENROLLED IN 1972 | NUMBER OF NEW PARCELS WITH DEFERRED ASSESSMENTS | ZONING CLASS OF NEW PARCELS | | |
|---------------------|---|-------------------------|--|--|-----------------------------|-------------|---------------------------|
| | | | | | AGRICULTURE | RESIDENTIAL | COMMERCIAL- INDUSTRIAL |
| Apple Valley | 70 | 2.8% | 4 | 2 | -- | 4 | -- |
| Burnsville | 69 | 7.8% | 5 | 2 | -- | 4 | 1 |
| Eagan | 313 | 10.8% | 11 | 3 | 10 | 1 | -- |
| Farmington | 460 | 12.3% | 7 | 3 | 2* | 5 | 1 |
| Hastings | 49 | 15.0% | 1 | 1 | 1 | -- | -- |
| Inver Grove Heights | 468 | 9.9% | 13 | 1 | 12 | 1 | -- |
| Lakeville | 340 | 5.7% | 6 | 1 | 3 | 3 | -- |
| Mendota Heights | -- | -- | -- | -- | -- | -- | -- |
| Rosemount | 1,185 | 14.9% | 18 | 1 | -- | 12 | 6 |
| Sunfish Lake | -- | -- | -- | -- | -- | -- | -- |
| West St. Paul | -- | -- | -- | -- | -- | -- | -- |
| County Total | <u>2,955</u> | <u>10.1%</u> | <u>65</u> | <u>14</u> | <u>28</u> | <u>30</u> | <u>8</u> |

* One new Farmington parcel is a split class.

Tax Reduction

The Green Acres Law provides financial benefits to participants in two ways. First, the assessed value of enrolled property is reduced, with a consequent reduction in taxes. If the property is subsequently developed or sold, the tax reduction for the previous three years must be repaid, but there is no repayment required of benefits received more than three years prior to development of the property. Secondly, any special local assessments are deferred until the land is sold. In this section the tax reduction on Green Acres property will be examined, with a discussion of deferred special assessments to follow later in this chapter.

As noted in Table 2 above, the taxes levied on Green Acres property

in Dakota County in 1976 (payable 1977) were \$625,404 less than would have been levied had the property been assessed at full market value. This amounts to an average tax reduction of \$21.38 per acre. The mean tax reduction per owner was \$1,942 with the median tax reduction per owner at \$1,183.

The amount of tax reduction accorded each parcel depends both upon the market value and the agricultural use-value of the property. For this reason the reduction in assessed value and tax due varies from parcel to parcel. Table 5 shows total average tax reduction per acre by city. The total tax reduction ranges from a high of \$152,049 in Eagan to \$653 in West St. Paul, which has only one parcel enrolled in Green Acres. The city of South St. Paul, with no Green Acres property, has no tax reduction, so was not included in this analysis. The average tax reduction per acre among cities containing Green Acres property is highest for Mendota Heights, at \$68.53 per acre, and lowest for Farmington, at \$5.80.

Clearly the tax reduction per acre varies inversely with distance from Minneapolis - St. Paul, as one would expect. It is highest for suburbs close to the Twin Cities such as Mendota Heights, Burnsville, and Eagan, where urban development potential has raised land values. It is much lower for Farmington, Lakeville, Hastings, and Rosemount, all further removed from the reach of the Minneapolis or St. Paul commuter.

Table 5 also shows tax reduction per owner by city. The average owner received the greatest total tax reduction in Burnsville and Eagan, despite the relatively small size of holdings in those cities. Total tax reduction per owner ranged from \$4,088 in Burnsville to a low of \$620 in Hastings.

TABLE 5

1976 Tax Reduction Due to Green Acres Program, by City, Dakota County

| <u>CITY</u> | <u>TOTAL TAX REDUCTION</u> | <u>NUMBER OF OWNERS</u> | <u>AVERAGE TAX REDUCTION PER ACRE</u> | <u>AVERAGE TAX REDUCTION PER OWNER***</u> |
|---------------------|--------------------------------|-----------------------------|---|---|
| Apple Valley | \$ 89,531 | 26 | \$ 36.21 | \$ 3,444 |
| Burnsville | 53,144 | 13 | 59.74 | 4,088 |
| Eagan | 152,049 | 50 | 52.23 | 3,041 |
| Farmington* | 21,795 | 23 | 5.80 | 948 |
| Hastings | 3,720 | 6 | 11.30 | 620 |
| Inver Grove Heights | 111,006 | 89 | 23.40 | 1,247 |
| Lakeville** | 57,452 | 57 | 9.68 | 1,008 |
| Mendota Heights | 6,558 | 3 | 68.53 | 2,186 |
| Rosemount | 125,325 | 69 | 15.77 | 1,816 |
| Sunfish Lake | 4,171 | 2 | 32.41 | 2,086 |
| West St. Paul | 653 | 1 | 16.83 | 653 |
| Countywide Total | \$ 625,404 | 339 | \$ 21.38 | \$ 1,845 |

* Includes Farmington Village

** Includes Lakeville Village

*** Eighteen owners have land in more than one township. For this column, they were treated separately within each township.

Size of Holdings

One of the principal amendments to the Green Acres Law proposed in H.F. 1269 was a change in the minimum allowable acreage requirement per owner from 10 to 40 acres. In order to display the acreage that would be excluded from Green Acres if this change were made, a frequency distribution of size of holdings was constructed. The number of owners and the total acreage in each size class is shown in Table 6. The average owner has 90.84 acres enrolled in the Green Acres program. Increasing the minimum acreage requirement from 10 to 40 acres would exclude 103 owners having a total of 2,430 acres from Green Acres coverage.

Note that size of holdings refers to the owner's total of acreage enrolled in the Green Acres program. Owners may have other farm property in the county that is not enrolled in Green Acres. For example, an owner may have farm property located in one of the unincorporated areas of the county where Green Acres assessment practices are not used by the Assessor. The number of such owners is probably small, however.

TABLE 6
Size of Holdings, Dakota County, 1976

| | <u>NUMBER OF OWNERS</u> | <u>PERCENTAGE OF ALL OWNERS</u> | <u>CUMULATIVE NUMBER OF OWNERS</u> | <u>TOTAL ACRES IN SIZE CLASS</u> | <u>CUMULATIVE TOTAL ACRES</u> | <u>TOTAL TAX REDUCTION IN SIZE CLASS</u> | <u>CUMULATIVE TAX REDUCTION TOTAL</u> | <u>PERCENTAGE OF COUNTY TOTAL TAX REDUCTION</u> |
|---------------------|-----------------------------|---|--|--|-----------------------------------|--|---|---|
| 10 - 19.99 Acres* | 38 | 12% | 37 | 508.8 | 508.8 | \$ 27,333 | \$ 27,333 | 4.4% |
| 20 - 29.99 Acres | 34 | 11% | 71 | 807.6 | 1,316.4 | 33,238 | 60,571 | 5.3% |
| 30 - 39.99 Acres | 32 | 10% | 103 | 1,113.7 | 2,430.1 | 29,279 | 89,850 | 4.7% |
| 40 - 79.99 Acres | 89 | 28% | 193 | 5,249.5 | 7,679.6 | 129,140 | 218,990 | 20.7% |
| 80 -159.99 Acres | 83 | 26% | 276 | 9,273.4 | 16,953.1 | 183,181 | 402,171 | 29.3% |
| More than 160 Acres | 46 | 14% | 322 | 12,288.6 | 29,241.7 | 223,103 | 625,274 | 35.7% |
| Totals | <u>322</u> | <u>100%</u> | <u>--</u> | <u>29,249.9</u> | <u>--</u> | <u>\$ 625,274</u> | <u>--</u> | <u>100.0%</u> |

* One parcel of less than 10 acres qualified for Green Acres treatment because the owners hold other farmland in the portion of the county where the Green Acres Law is not implemented. This parcel is not included in Table 5. It covers 8.17 acres.

Deferred Special Local Assessments

The Green Acres Law allowed landowners in Dakota County to defer special local assessments totalling \$515,912 in 1976. Deferred assessments include those for water, sewer, streets, curbing, sidewalks, and storm drainage. These assessments must be paid with interest, when the property is sold or developed, so the benefit must be considered a postponement of payment rather than a reduction. In theory the assessments could be postponed forever

if the property stays in the family and is never taken out of agricultural use.

Some cities consider the deferral of special local assessments to be a financial burden. While the assessment cost may be recovered eventually, with interest, a cash flow problem may arise if the amount of special local assessment deferrals is large. Two cities, Burnsville and Inver Grove Heights, had over \$100,000 in special assessments deferred in 1976.

One of the main features of H.F. 1269 was a provision allowing cities and counties to reject applications for Green Acres coverage if the enrollment of a parcel would conflict with the local comprehensive plan. In the course of planning this study, it was hypothesized that special local assessments deferred might indicate the extent to which cities and counties would reject these applications. Presumably, if a city or county constructs a project such as a sewer, water main, or street in an area, the governing body would favor development of the area so that the facility is used to capacity. Also, it seems likely that the governing body would prefer not to defer special local assessments for the project, since otherwise the city must use its general revenues to finance bond payments.

Deferred special local assessments were in existence for 277 of the 750 Green Acres parcels in Dakota County in 1976, approximately 37 percent of the Green Acres parcels. The mean value of deferred assessments per parcel was \$1,862, the median, \$863. (Mean and median were calculated only across those parcels having deferred assessments, not across all parcels). The parcels having deferred assessments accounted for 7,197 acres, or 24% of the total amount of land enrolled in Green Acres.

Table 7 provides information on special assessment deferrals by city in 1976. Inver Grove Heights had the highest amount of total deferrals with \$124,675, followed closely by Burnsville with \$123,623 in deferrals.

The lowest amount of total deferrals occurred in Sunfish Lake, with no deferred special assessments in 1976. The mean value of deferred assessments per parcel having such deferrals ranged from \$4,579 in Burnsville to \$767 in West St. Paul and \$826 in Lakeville.

The respective total acreage of parcels having deferred assessments and those not having such deferrals are also shown in Table 7, along with the calculated percentage of Green Acres property having special local assessments. Note that all Green Acres parcels have deferred special assessments in the cities of Hastings, Mendota Heights, and West St. Paul. In contrast, there are no deferred special assessments in Sunfish Lake, and only five percent of Green Acres parcels in Rosemount have deferred assessments.

The acreage of parcels having special local assessments is a misleading statistic that should be interpreted with caution. An assessment may be applied against all or only a part of a parcel of property, yet the data sources used for this study give no indication as to which is the case. The tax records used here simply do not reflect the amount of land covered by the assessments that were levied.

Table 7 also gives the average tax reduction by city both for parcels having deferred assessments and for those not having such deferrals. One would expect property having special assessments levied against it to be more readily adaptable to urban use, consequently to have greater disparity between agricultural value and market value, and hence a larger tax reduction per acre than property without such assessments. In those cities containing property both with and without special assessments, this relationship holds true; the tax reduction per acre is greater for property having deferred special assessments. The only exception is Lakeville, where the per acre tax reduction is greater for property not having deferred

special local assessments than for property having these deferred assessments. The Lakeville exception is explained by the presence of a few very small parcels (.07 acre) with high valuations and no special local assessments, which act to skew the average.

TABLE 7
Deferral of Special Local Assessments, Dakota County, 1976

| CITY | TOTAL DEFERRED ASSESSMENTS | DEFERRED ASSESSMENTS PER PARCEL* | NUMBER OF PARCELS HAVING DEFERRED ASSESSMENTS | PERCENTAGE OF GREEN ACRES PARCELS HAVING DEFERRED ASSESSMENTS | TOTAL ACREAGE OF PARCELS HAVING DEFERRED ASSESSMENTS | TOTAL ACREAGE OF PARCELS WITH NO DEFERRED ASSESSMENTS | TAX REDUCTION PER ACRE ON PARCELS HAVING DEFERRED ASSESSMENTS | TAX REDUCTION PER ACRE ON PARCELS WITH DEFERRED ASSESSMENTS |
|------------------|----------------------------|----------------------------------|---|---|--|---|---|---|
| Apple Valley | \$ 68,960 | \$ 4,310.0 | 16 | 36 % | 834.1 | 1,639.2 | \$38.80 | \$33.64 |
| Burnsville | 123,623 | 4,578.6 | 27 | 96 | 849.6 | 40.0 | 56.48 | 31.08 |
| Eagan | 60,591 | 1,594.5 | 38 | 46 | 1,257.5 | 1,653.8 | 86.32 | 36.15 |
| Farmington** | 42,926 | 1,951.2 | 22 | 43 | 1,684.8 | 2,073.3 | 7.33 | 5.82 |
| Hastings | 28,670 | 2,606.4 | 11 | 100.0 | 329.1 | - | 12.14 | - |
| Inver Grove Hts. | 124,675 | 1,370.1 | 91 | 42 | 463.6 | 4,280.5 | 46.06 | 23.16 |
| Lakeville*** | 49,528 | 825.5 | 60 | 34 | 1,241.2 | 4,692.5 | 19.07 | 38.66 |
| Mendota Hts. | 5,345 | 1,069.0 | 5 | 100.0 | 95.7 | - | 65.37 | - |
| Rosemount | 10,827 | 1,804.5 | 6 | 5 | 402.9 | 7,544.5 | 25.46 | 16.13 |
| Sunfish Lake | - | - | - | - | - | 128.7 | - | 34.91 |
| W. St. Paul | 767 | 767 | 1 | 100 | 38.8 | - | 16.82 | - |
| COUNTY | \$515,912 | \$ 1,862.5 | 277 | 36.9% | 7,197.3 | 22,052.6 | \$41.72 | \$26.11 |

*Mean calculated only for those parcels having assessments deferred

**Includes Farmington village

***Includes Lakeville village

The types of deferred assessments in 1976 and their relative frequencies are shown in Table 8. Ninety percent of the parcels having deferred assessments included a sewer assessment. It is worthy of note that parcels having assessments for water, sewer, and street, constituting less than one-fourth of all parcels having deferred assessments, accounted for nearly half of the total dollar amount deferred.

TABLE 8

Types of Deferred Special Local Assessments, Dakota County, 1976

| <u>TYPE OF ASSESSMENT</u> | <u>NUMBER OF PARCELS</u> | <u>PERCENTAGE OF TOTAL NO. OF PARCELS HAVING ASSESSMENTS FOR COUNTY</u> | <u>AMOUNT DEFERRED</u> | <u>AVERAGE ASSESSMENT BY CATEGORY</u> | <u>PERCENTAGE OF TOTAL AMOUNT DEFERRED FOR COUNTY</u> |
|---------------------------|------------------------------|---|----------------------------|---|---|
| Water only | 21 | 7.6% | \$ 16,402 | \$ 776 | 3.2% |
| Sewer only | 104 | 37.5 | 85,311 | 820 | 16.5 |
| Streets only | 2 | .7 | 5,583 | 2,792 | 1.1 |
| Water and Sewer | 71 | 25.6 | 115,622 | 1,628 | 22.4 |
| Sewer and Streets | 9 | 3.2 | 23,215 | 2,579 | 4.5 |
| Water and Streets | 3 | 1.1 | 17,967 | 5,989 | 3.5 |
| Water, Sewer and Streets | 65 | 23.5 | 246,519 | 3,793 | 47.8 |
| Other | 2 | .7 | 5,393 | 2,697 | 1.0 |
| ALL | <u>277</u> | <u>100 %</u> | <u>\$515,912</u> | <u>\$1,863</u> | <u>100 %</u> |

Homestead Status

As a part of this study of the use of the Green Acres law in Dakota County, data was collected on the homestead status of each parcel of Green Acres property. The main purpose of this was to assess the potential impact of a portion of H.F. 1269 which proposed to limit Green Acres eligibility to homesteaded property and real estate farmed in conjunction with a homestead.

Agricultural property is usually categorized by assessors in one of two classes defined by law: "homestead" or "non-homestead." For the purposes of data analysis in this study, the homestead classes are refined somewhat. "Homestead" is taken to mean both parcels containing the owner's homestead, and parcels that are farmed in conjunction with a nearby homestead.

The Dakota County assessor makes a further distinction within homesteading: agricultural and non-agricultural homesteads. An agricultural homestead has the characteristics of a farm homestead, situated near the farm structures. Homes built on farmland but not in close proximity to the

owner's agricultural structures are termed non-agricultural, to avoid the allowance of the lower agricultural tax classification to the home. Interestingly, about one-fourth of the homestead parcels were parts of non-agricultural homesteads.

"Non-homestead" is broadly applied to parcels owned by a non-resident who does not farm the parcel in connection with his or her homestead. Typically such owners have Minneapolis or St. Paul addresses, although some are Dakota County residents, and some reside outside of the state. These owners generally qualify for Green Acres assessment because they have owned the property for seven or more years. (Time during which the parcel was owned by a deceased sibling, parent or spouse counts toward the seven years).

If the Green Acres Law were amended to exclude property from coverage that is not a homestead or farmed in conjunction with a homestead, those parcels designated as non-homestead would not be eligible for use-value assessment. (Parcels could remain on Green Acres, of course, if the owner were to establish a homestead on the property, or sell the property to a farmer with a nearby homestead). Non-homestead parcels in Dakota County in 1976 accounted for 6,070 acres.

Table 9 summarizes data on Green Acres property in Dakota County in 1976 by homestead status. Eighty-four percent of the parcels enrolled in the Green Acres program were "homestead" according to the above definition, covering 80 percent of the land area; and 16 percent were "non-homestead," covering 20 percent of the land in Green Acres.

Non-homestead parcels had the larger average size, at 51.52 acres. These parcels also had the greater average tax reduction per parcel, the larger average tax reduction per acre, and the larger average dollar amount of deferred special assessments. Two-thirds of the non-homestead parcels had deferred special local assessments.

TABLE 9

Characteristics of Green Acres Property
According to Homestead Status, Dakota County, 1976

| CATEGORY | NO. OF PARCELS | AVERAGE PARCEL SIZE | NO. OF OWNERS | ACRES | TAX REDUCTION (TOTAL) | AVERAGE TAX REDUCTION (PER PARCEL) | AVERAGE REDUCTION PER ACRE | PERCENT OF PARCELS HAVING DEFERRED ASSESSMENTS | AVERAGE DEFERRED ASSESSMENT PER PARCEL* |
|---------------|-------------------|---------------------------|------------------|--------|-----------------------------|--|----------------------------------|--|--|
| Homestead | 632 | 36.7 | 273 | 23,179 | \$458,089 | \$ 725 | \$19.80 | 39.1% | \$1,832 |
| Non-Homestead | 118 | 51.4 | 49 | 6,070 | \$167,315 | \$1,418 | \$27.60 | 25.4% | \$2,111. |

*Average calculated across only those parcels having deferred assessments, not all parcels in category.

Zoning Classification of Green Acres Property

One of the most frequent criticisms of the present Green Acres Law in Minnesota is that the law does not require coordination with local planning and zoning efforts. Farmers simply apply for Green Acres treatment; if they meet the minimum qualifications set forth in the law, the property is assessed at use-value and any special local assessments are deferred, regardless of whether this disrupts local land use objectives.

In order to investigate the relationship between the Green Acres program and local zoning efforts, zoning maps were obtained from the cities that contain Green Acres property in Dakota County. The zoning classification of each parcel was determined and the parcel placed in one of three categories: agricultural, residential, or commercial/industrial. The allowable density of particular zoning classifications was not a consideration. Parcels zoned for open space, conservation, parks, etc., were placed in one of the above classifications, according to the predominant use of adjacent land. For example, land zoned for park use and in a residential area was classified "residential." The Vermillion River flood plain, generally zoned for "conservation" and predominately bordered by agricultural land, was classified agricultural in most cases.

Table 10 gives the total amount of Green Acres property in each of the three zoning classes. Only 41.6% of Green Acres property is zoned for agriculture, while 58.4% is zoned for commercial/industrial or residential use.

TABLE 10
Amount of Green Acres Property by Zoning Class, Dakota County, 1976

| <u>Zoning Class</u> | <u># Acres</u> | <u>% of Total Green Acres Property</u> |
|-----------------------|----------------|--|
| Agricultural | 12,122 | 41.6% |
| Residential | 13,928 | 47.8% |
| Commercial/Industrial | 3,093 | 10.6% |

Table 11 shows the distribution of Green Acres property among the three zoning classifications by city. It is readily evident that zoning practices vary a great deal among the cities. Five of the cities have no Green Acres property at all in agricultural classifications, including Rosemount, with nearly 8,000 acres of Green Acres property.

Rosemount, Lakeville, and Inver Grove Heights are the three cities containing the largest amount of Green Acres property. Each has over 5,000 acres that are enrolled in the program. Yet the three exhibit wide variety in their use of the agricultural zoning classification: Rosemount has no Green Acres property in agricultural classification: Lakeville has 33% of Green Acres property classified agricultural, and Inver Grove Heights has 70% classified agricultural. This degree of variation makes it difficult to draw general conclusions about the relationship between zoning patterns and Green Acres enrollment.

One of the objectives of this study was to estimate the quantity of Green Acres property that would be refused the option of use-value assessment

if cities or counties were given the authority to turn down applications when approval of the application would conflict with local comprehensive plans. It was hypothesized that cities at some point would probably exercise such authority on property zoned residential or commercial/industrial, but would probably not exercise it on property that is presently zoned agricultural.

However, the example of Rosemount cited above seems to indicate that, in that city at least, there is no relationship between agricultural zoning and long-term agricultural use potential. Much of Rosemount is rural in character and likely will not be developed for residential or commercial use for decades, if ever. Yet all of the Green Acres farmland in Rosemount is zoned for urban use. Thus it appears that one cannot safely use zoning data to meet the objective of estimating the quantity of Green Acres property that would be refused the option of use-value assessment in Dakota County.

TABLE 11

Zoning Classification of Green Acres Property by City, Dakota County, 1976

| <u>CITY</u> | <u>NO. ACRES ZONED AGRICULTURAL</u> | <u>PERCENT AGRICULTURAL</u> | <u>NO. ACRES ZONED RESIDENTIAL</u> | <u>PERCENT RESIDENTIAL</u> | <u>NO. ACRES ZONED COMMERCIAL/ INDUSTRIAL</u> | <u>PERCENT COMMERCIAL/ INDUSTRIAL</u> |
|------------------|---|---------------------------------|--|--------------------------------|---|---|
| Apple Valley | 1,890 | 76.4% | 309.5 | 12.5% | 274 | 11.1% |
| Burnsville | 0 | - | 755.8 | 84.8% | 136 | 15.2% |
| Eagan | 2,628 | 90.3% | 253 | 8.7% | 35 | 1.2% |
| Farmington | 2,108 | 56.1% | 1,497 | 39.8% | 154 | 4.1% |
| Hastings | 294 | 89.4% | 35 | 10.6% | 0 | - |
| Inver Grove Hts. | 3,315 | 69.9% | 1,247 | 26.3% | 184 | 3.9% |
| Lakeville | 1,941 | 32.7% | 3,332 | 6.1% | 63 | 11.2% |
| Mendota Hts. | 0 | - | 96 | 100% | 0 | - |
| Rosemount | 0 | - | 5,670 | 71.3% | 1,639 | 20.6% |
| Sunfish Lake | 0 | - | 129 | 100% | 0 | - |
| W. St. Paul | 0 | - | 39 | 100% | 0 | - |
| County Total | 12,177 | 41.4% | 14,013 | 47.8% | 3,085 | 10.5% |

Platted Lands

Of the 750 parcels of property enrolled in Green Acres in Dakota County in 1976, 163 parcels were platted lands, i.e., property that had been subdivided into residential lots. These parcels are generally much smaller in size than unplatted Green Acres property. While the 163 platted parcels constitute twenty-two percent of the total number of parcels, they account for only 498 acres, or 1.7% of the Green Acres property in the county.

Many of the platted parcels were subdivided years ago, some as far back as the last century. Nearly half of the platted parcels were platted before 1960. Many of these cases are examples of developers' plans gone awry, the land remaining in agricultural use long past the time when the subdivider had envisioned the construction of residences on the site.

Fifty-three percent of the platted parcels now on Green Acres have been subdivided since 1972. In most of these cases a farmer-owner continues to operate the land as a farm, often selling one or two of the subdivided lots each year. This type of developer has a distinct economic advantage over the non-farmer developer, since for each lot taxes are reduced and special local assessments are deferred until the lot is sold.

Divided Parcels

Frequently owners of property assessed according to the provisions of the Green Acres Law will sell a portion of a parcel, usually for construction of one or more residences. These sales should not be confused with the sale of a subdivision lot, in which case the entire parcel is sold.

When a parcel is divided, the assessor must apportion the assessed valuation between the portion sold and the portion retained. Deferred special assessments and three years' back taxes attributable to the parcel sold then fall due, but the unsold portion remains on Green Acres, provided the

qualification requirements are still met (size over ten acres, etc.).

Data was collected on the number and size of these land divisions from the assessor's field cards for 1972 through 1976. This data is of interest because such divisions usually signal the beginnings of a change in predominate land use from agricultural to urban for a given area. Occasionally a lot is sold from a parcel to construct a residence for a relative who will join in the farming operation or for a farm employee, but more often the sale is to an unrelated individual who desires a rural home. In some cases a division occurs almost annually, with the size of the farm diminishing steadily.

Of the 750 land parcels assessed according to the Green Acres Law in Dakota County in 1976, 78 parcels--ten percent--had been divided at least once between 1972 and 1976. Of this number, two parcels were divided four or more times; seven parcels were divided three times; and fifteen parcels were divided twice, for a total of 113 separate divisions.

The size of parcels sold in this manner totalled 1231.2 acres, for an average size of 10.9 acres. Median size was 6.0 acres. The land sold ranged in size from 0.1 acres to 139.1 acres for the 113 sales. The same data on divided parcels can also be examined by owner. Of the 322 owners, 67 or nearly 21% sold a part of their Green Acres parcels from 1972 to 1976. The average amount of land sold was 18.4 acres per owner, and the average size of sale per owner was 13.5 acres.

The cities containing the greatest amount of land sold in this fashion were Inver Grove Heights (308 acres) and Apple Valley (272 acres); Mendota Heights had the greatest percentage of its enrolled lands sold - 64%.

VII. USE OF GREEN ACRES LAW IN COUNTIES NOT LOCATED
WITHIN OR ADJACENT TO TWIN CITIES METROPOLITAN AREA

Of the sixteen Minnesota counties that were using the Minnesota "Green Acres" Law (Minnesota Statutes 273.111) in 1977, only four were located at some distance from the Twin Cities metropolitan area. The remaining twelve were comprised of the seven counties that are included in the metropolitan area, plus five counties located in the first ring of counties around the Twin Cities metropolitan area.*

As part of this effort to provide legislators with information regarding the Green Acres Law, the use of the law in the four non-metropolitan counties was examined. These are Blue Earth, Clay, Lyon, and Stearns. Each county contains a large city, and it is in or near these cities that county assessors have differentially assessed agricultural land by implementing the Green Acres Law.

In this section data on Green Acres properties in each of the four counties is presented, and parcels are mapped. Map III, on page 40, illustrates the location of these four counties and the largest city in each.

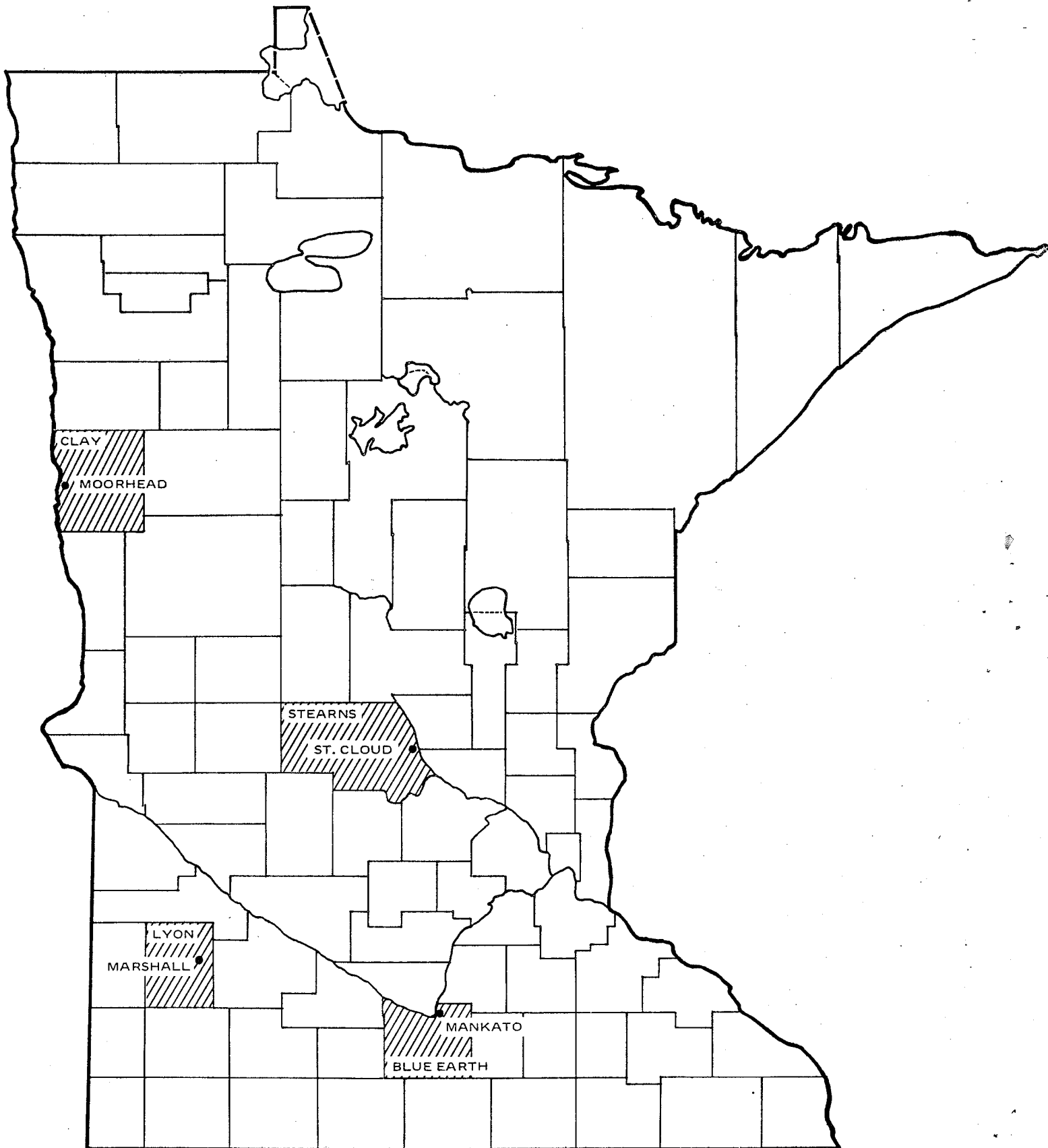
Blue Earth County

Blue Earth County had five property owners participating in the Green Acres program in 1976. These people owned a total of 217 acres. Seven parcels of property were covered, three of which were located in Mankato Township, with the remaining four located in the City of Mankato. The location of these parcels is shown on Map IV, page 41. Mankato had a 1970 population of 30,895.

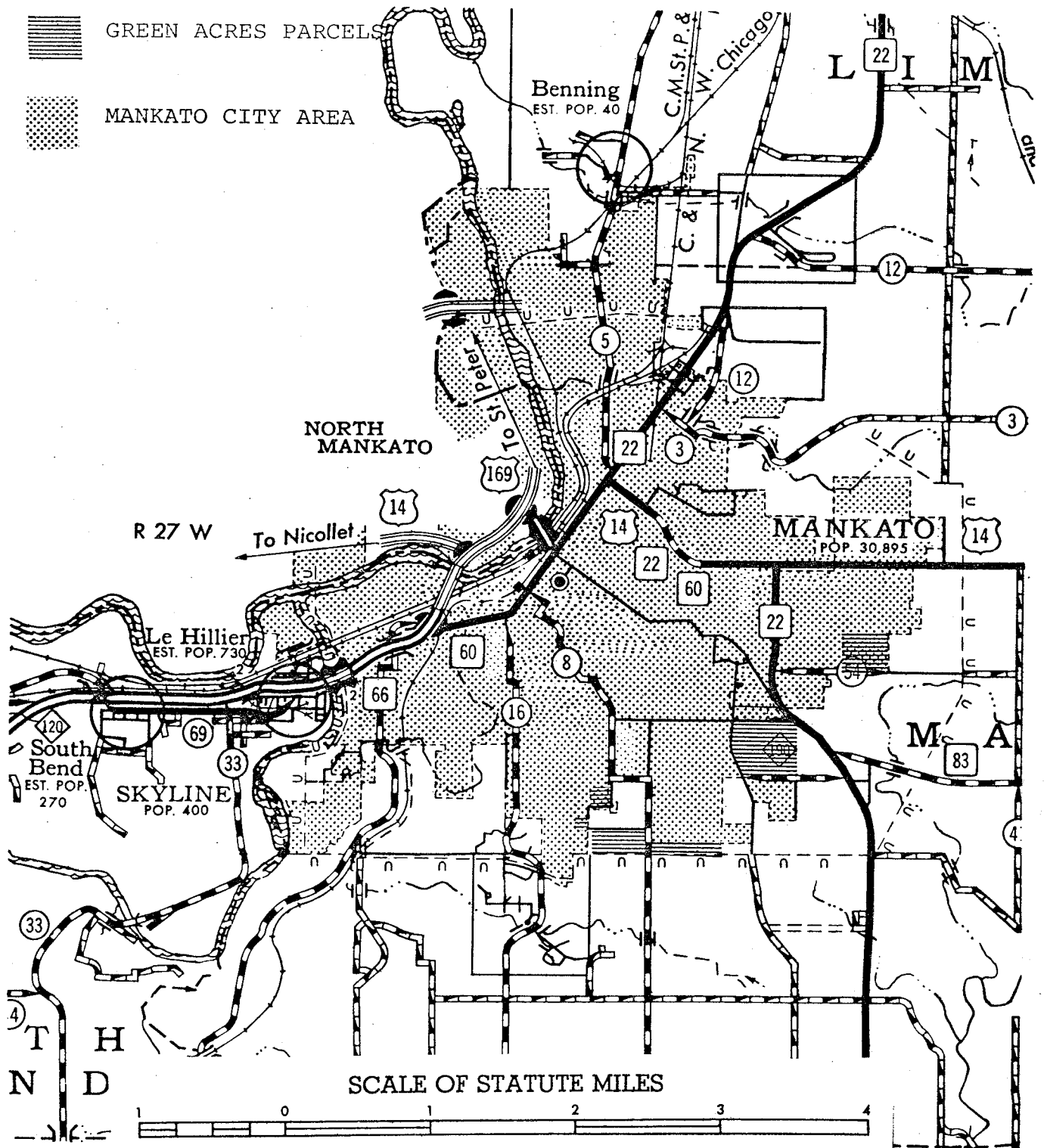
*According to the Department of Revenue Office Memorandum from John E. Berglund, Senior Research Analyst, to Arthur C. Roemer, Commissioner, March 10, 1977.

MAP III

MINNESOTA COUNTIES IMPLEMENTING "GREEN ACRES" LAW
NOT LOCATED WITHIN OR ADJACENT TO TWIN CITIES METROPOLITAN AREA



MAP IV. GREEN ACRES PROPERTY IN
BLUE EARTH COUNTY, MINNESOTA, 1976
(CITY OF MANKATO AND VICINITY)



Specific information about Green Acres property, by owner, is shown in Table 12. Note that the taxes paid by these owners were reduced by \$12,946 by the Green Acres provisions, or 74.4 percent. This tax reduction amounts to an average of \$59.52 per acre. The tax reduction is less than 1/10 of one percent of the net tax payable for Blue Earth County in 1976. In addition, \$9,039 in special local assessments was deferred for later payment.

TABLE 12

Green Acres Program Blue Earth County
1976 Tax Year (Payable 1977)

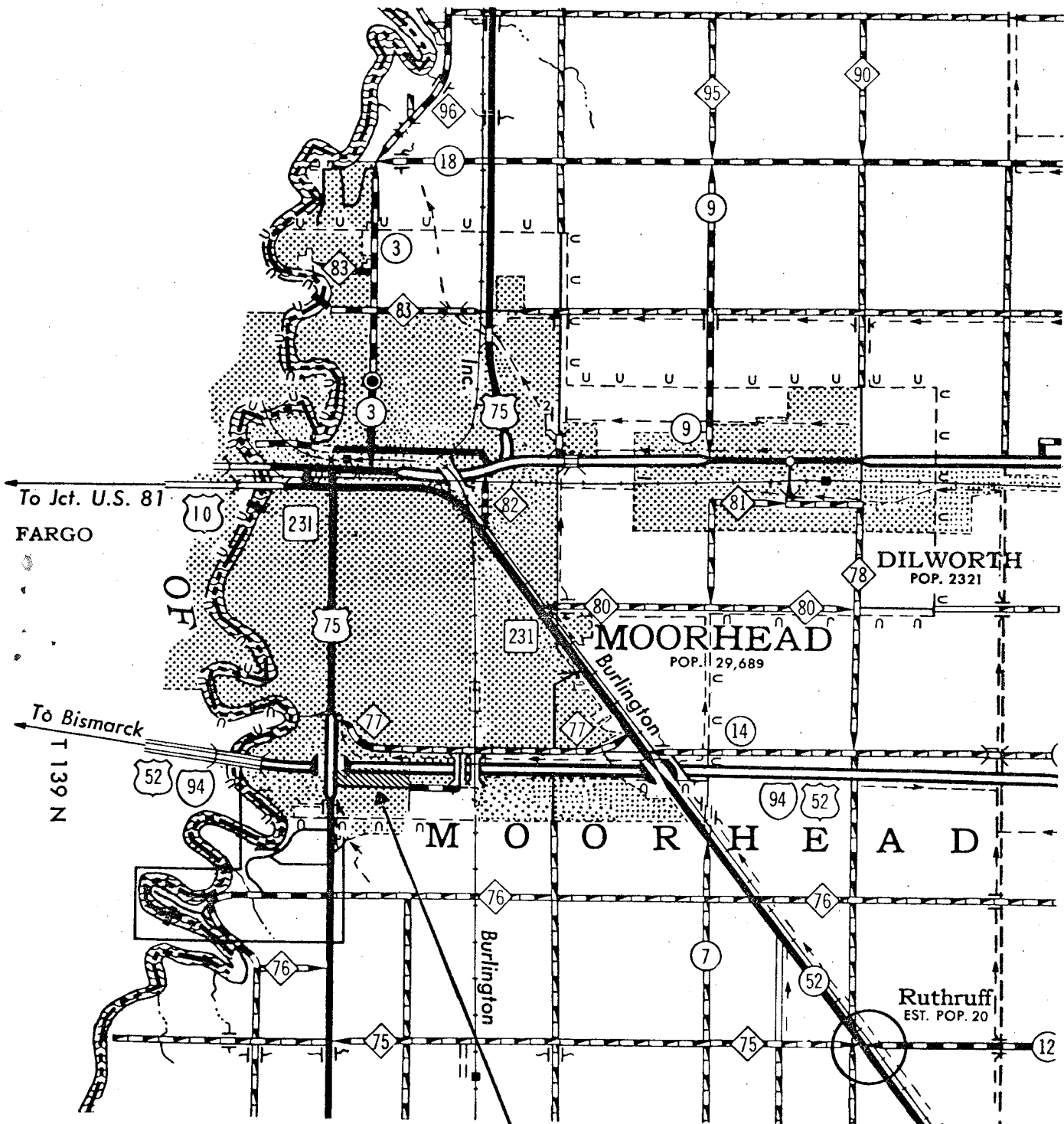
| Owner | Acres Owned | Market Value | Agricultural Value | Market Value Tax | Agricultural Value Tax | Tax Reduction | Special Local Assessments |
|-------|-------------|--------------|--------------------|------------------|------------------------|---------------|---------------------------|
| A | 44.8 | \$ 88,692 | \$ 44,482 | \$ 2,241 | \$1,124 | \$1,117 | \$ 681 |
| B | 17.0 | 33,008 | 9,735 | 812 | 239 | 573 | -0- |
| C | 99.76 | 190,616 | 65,076 | 4,236 | 1,188 | 3,048 | -0- |
| D | 12.17 | 79,943 | 23,148 | 2,640 | 487 | 2,153 | 3,861 |
| E | 43.79 | 187,103 | 35,560 | 7,476 | 1,421 | 6,055 | 4,497 |
| Total | 217.52 | \$579,362 | \$178,001 | \$17,405 | \$4,459 | \$12,946 | \$ 9,039 |
| Mean | 43.50 | \$115,872 | \$ 35,600 | \$ 3,481 | \$ 892 | \$ 2,589 | \$ 3,013* |

* Mean value is only for owners having special local assessments against their property. Those with no special local assessments excluded.

Clay County

There is one parcel in Clay County that is assessed under the provisions of the Green Acres Law. This parcel is located within the city of Moorhead, as shown on Map V, page 43. The property is completely surrounded by commercial development. The 1970 population of Moorhead was 29,687.

MAP V. GREEN ACRES PROPERTY IN
CLAY COUNTY, MINNESOTA, 1976
(CITY OF MOORHEAD)



GREEN ACRES PARCEL

This property is 37.62 acres in size. Its estimated market value was \$564,000 while the limited agricultural value was \$9,900 (1976 taxes, payable 1977). The tax due in 1977 was \$327.56, using the agricultural value. Tax due on this property would have been \$18,661 had the parcel been assessed at market value.

There were also special assessments levied against this parcel, but the owner evidently elected to pay these rather than have them deferred. The assessments totalled \$30,325, of which \$6,950 had been paid as of 1976.

Lyon County

All Green Acres parcels in Lyon County in the 1976 tax year were located within or near the city limits of Marshall, a city with a 1970 population of 10,215. The locations of Green Acres property in 1976 is illustrated by Map VI, page 45. There were 39 such parcels, accounting for 1899 acres, and held by 22 owners.

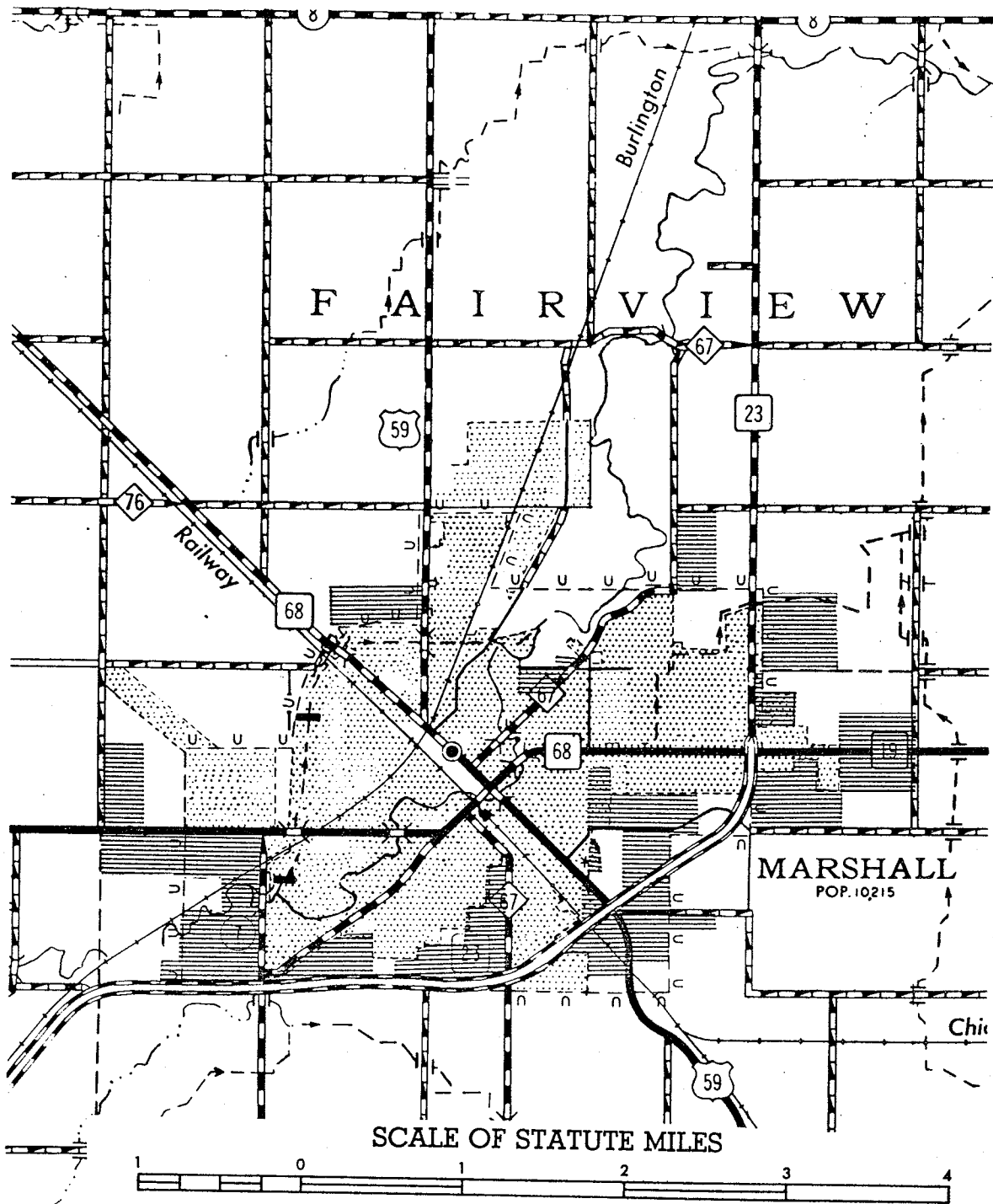
The mean amount of Green Acres land held per owner in 1976 was 86.33 acres. The smallest total of land held by any owner was 13.18 acres. The owner with the largest amount of land assessed according to the Green Acres Law held 231.5 acres. Table 13 is a frequency distribution of size of holdings enrolled on Green Acres.

TABLE 13

Frequency Distribution of Number of Acres
Differentially Assessed by Owner,
Lyon County, 1976

| <u>Size Range (Acres)</u> | <u>No. of Owners</u> | <u>Total Acreage In Size Range</u> |
|---------------------------|----------------------|--|
| 10 - 19.9 | 2 | 29.32 |
| 20 - 29.9 | 3 | 62.00 |
| 30 - 39.9 | 1 | 32.32 |
| 40 + | 16 | 1775.71 |

MAP VI. GREEN ACRES PROPERTY IN
LYON COUNTY, MINNESOTA, 1976
(CITY OF MARSHALL AND VICINITY)



GREEN ACRES PARCELS



MARSHALL CITY AREA

Table 13 gives financial information regarding Green Acres property in Lyon County. In some cases the Green Acres property is carried on the same legal description as other property which is not enrolled on Green Acres. Thus the assessment values as reported by the County Assessor cannot be simply converted to a "per acre" or "per owner" basis.

TABLE 14

Green Acres Program,
Lyon County, 1976 Tax Year

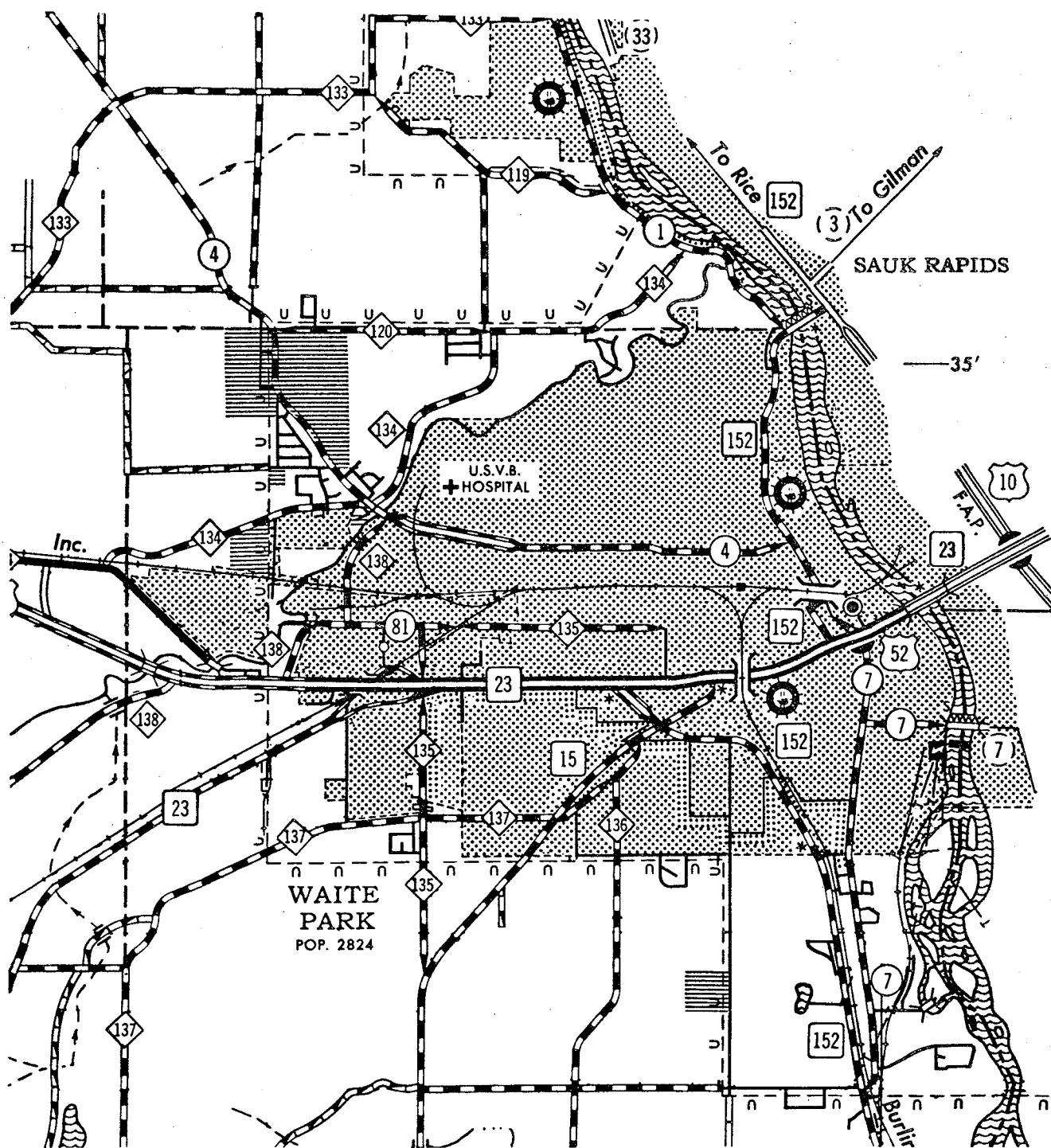
| | |
|---|-------------|
| Limited Market (High) Value of Land Only | \$1,578,632 |
| Limited Agricultural (Low) Value of Land Only | \$1,007,456 |
| Average Reduction in Assessed Value per owner | \$ 25,963 |

Stearns County

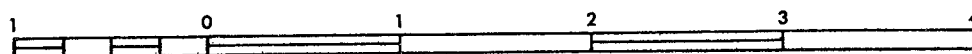
Stearns County in 1976 had 385 acres in six parcels assessed under the provisions of the Green Acres Law. All were located in St. Cloud Township, south of and adjacent to the city of St. Cloud, as shown on Map VII, page 47. St. Cloud in 1970 had a population of 42,223.

The six Green Acres parcels were held by four owners. Specific information about the property enrolled in the Green Acres program is given in Table 15. Note that the taxes paid by the four owners were reduced by a total of \$977, or by 36.8 percent of the amount that would have been due without the Green Acres Law. This tax reduction amounts to an average reduction of \$2.54 per acre.

MAP VII.
 GREEN ACRES PROPERTY
 IN STEARNS COUNTY, MINNESOTA
 1976
 (CITY OF ST. CLOUD AND VICINITY)



SCALE OF STATUTE MILES



GREEN ACRES PARCELS



ST. CLOUD CITY AREA

TABLE 15

Green Acres Program
Stearns County
1976 Tax Year (Payable 1977)

| Owner | Acres Owned | Market Value | Agricultural Value | Market Value Tax | Agricultural Value Tax |
|-------|----------------|-----------------|-----------------------|------------------------|---------------------------|
| A | 207.10 | \$ 62,563 | \$40,046 | \$1,371 | \$ 878 |
| B | 91.55 | 22,600 | 21,600 | 495 | 473 |
| C | 46.73 | 22,940 | 9,000 | 503 | 197 |
| D | 39.64 | 12,946 | 5,840 | 284 | 128 |
| Total | 385.02 | \$121,049 | \$76,486 | \$2,653 | \$1,676 |
| Mean | 96.26 | \$ 30,262 | \$19,122 | \$ 663 | \$ 419 |

The use of Green Acres assessment practices is likely to be more widespread in Stearns County in the upcoming year, according to the county assessor. The recent opening of the Interstate Highway 94 bypass on the southwest side of St. Cloud has placed development pressure on much of the farmland that is near the highway, especially in the vicinity of interchanges. As market value assessments are raised to reflect these new pressures, farmers are expected to apply for Green Acres differential assessment on their property.

Green Acres Law in Non-metropolitan Minnesota: Conclusions

It is readily apparent that the Green Acres Law assessment practices are not widely used in non-metropolitan Minnesota. It is difficult to account for this fact. It would appear that virtually any farmland located adjacent to a growing city would have an increment of value owing to its development potential, over and above its value for agricultural purposes. If this is the case, are assessors pegging the property value at this

higher value, as required by law, with landowners paying the accompanying higher taxes? Or are assessors affording a de facto Green Acres assessment value to such properties, without the required payback feature and other restrictions contained in the Green Acres Law?

To definitively answer these questions would require further research that is beyond the scope of this study. However, it seems reasonable to postulate that development patterns around cities such as Marshall and Mankato, where the Green Acres Law is being used, are not markedly different from development patterns in other cities of comparable size in farming areas. If this is indeed the case, it is quite possible that use-value assessment is being applied to farmland without the restrictions contained in the Green Acres Law. This implies that a number of taxpayers are being treated unfairly, particularly those landowners in jurisdictions that are enrolled in the Green Acres program, and are subject to the rollback penalty upon sale or development of their property.

VIII. DIFFERENTIAL ASSESSMENT OF OPEN SPACE LAND IN DAKOTA COUNTY

The Minnesota Open Space Property Tax Law, Minnesota Statutes Section 273.112, provides for assessment of property according to its value as private outdoor, recreational, open space, or park land without regard to its development potential. This law is similar to the Green Acres Law, but is applied to golf or ski areas rather than farmland.

One of the objectives of this study was to examine the use of the Open Space Property Tax Law, evaluating the impact of the repeal of the law, as was proposed in H.F. 1269. For this reason data was collected in Dakota County on property qualifying for differential assessment under the provisions of this law.

While there are thirteen golf and ski areas in Dakota County that qualify for differential assessment, only one had applied and was enrolled in the program as of the 1976 tax year. Thus very little analysis can be undertaken at this time. However, for the 1977 tax year, all thirteen qualifying establishments will be enrolled, as a result of a recent decision reached by the County Assessor. Estimates of the market value and open space value were obtained for each of these establishments for 1976 taxes, even though most were not in the program.

In order to qualify for differential assessment, a golf or ski area must be five or more acres in size, and either:

- open to the public,
- operated by business for the benefit of employees or guests, or
- operated by private clubs having 50 or more members.

Qualifying property is assessed preferentially for tax purposes at use-value. If the use changes, a penalty is imposed equal to the tax reduction received over the previous seven years. Special local assessments are not deferred.

The market values of the thirteen open space establishments in 1976 ranged from \$4500 to \$6500 per acre. The open space value for these lands in Dakota County in that year was set at \$2200 per acre by the Assessor.

Table 16 shows the 1976 assessed values for each of the establishments that will qualify for Open Space treatment in the 1977 tax year. Open Space values are calculated using a value of \$2200 per acre, county-wide. Establishment "B" is the golf course that had applied and was enrolled in the Open Space program in 1976. Taxes on this golf course were reduced from \$3140 (market value) to \$2086 (open space value), for a tax reduction of \$1054, or 33.6% of the market value tax. This tax reduction equals \$30.11 per acre.

The limited market value of the Open Space property in Dakota County totals \$5,772,775, as compared to limited Open Space values totalling \$2,408,652. Thus assessed valuations in the county will have been reduced on the order of \$3.4 million in the 1977 tax year as a result of the Open Space Property Tax Law. This compares to a reduction in valuations on farm property in the Green Acres program of slightly less than \$21 million in 1976.

Table 16

Open Space Assessed Valuations, Dakota County

| Establishment | Size (Acres) | Limited Market Value (land only) | Limited Open Space Value | Value of Structures |
|---------------|--------------|-------------------------------------|-----------------------------|------------------------|
| "A" | 74.17 | \$ 180,000 | \$ 64,200 | - |
| "B" | 35 | 73,850 | 45,500 | \$ 10,000 |
| "C" | 21.27 | 106,350 | 46,800 | 14,800 |
| "D" | 79 | 395,000 | 173,800 | - |
| "E" | 117 | 585,000 | 257,400 | 79,200 |
| "F" | 66.32 | 331,600 | 145,900 | 144,700 |
| "G" | 220.25 | 951,125 | 484,550 | 661,800 |
| "H" | 122 | 732,000 | 268,400 | 187,300 |
| "I" | 137 | 822,600 | 301,400 | 133,000 |
| "J" | 19.16 | 95,800 | 42,152 | 12,300 |
| "K" | 11 | 55,000 | 24,200 | 24,900 |
| "L" | 123 | 779,500 | 270,600 | 219,200 |
| "M" | 129 | 644,950 | 283,750 | 167,000 |
| TOTALS | 1,154.17 | \$5,772,775 | \$2,408,652 | \$1,654,200 |

IX. CONCLUDING RECOMMENDATIONS

Much of this study was devoted to collection of data to enable legislators to predict the effects of specific policy choices that were under consideration. The "findings" which resulted from analysis of the data are summarized in the front of this paper and elaborated in the tables and narrative.

In most cases the findings make clear the policy choices under consideration, and a staff recommendation would be unnecessary, if not unwelcome. For this reason no recommendations are made here with regard to proposals contained in H.F. 1269, for example. However, there are a few areas in which a staff recommendation may serve the useful purpose of focusing legislative attention on potential problems, and in these cases a recommendation is given.

Recommendation: That legislators address and clarify the purpose of the Green Acres Law. A dichotomy of expectations arises over whether the law is to provide tax benefits to farmers, or to preserve agricultural land from urban development. As long as opposing sides can support divergent views as to the function of the law, it likely will not fulfill the hopes of either side.

Recommendation: That the legislature address the question of sporadic application of the Green Acres Law over the state and within jurisdictions. The fact that some counties or cities apply the law and others do not in comparable situations makes for inequitable treatment of taxpayers.

Recommendation: That the Legislature consider withholding Green Acres benefits from landowners who are gradually selling house lots from their farms, whether subdivided or not. Such persons obtain a substantial unfair

advantage over land developers who are unable to qualify for Green Acres coverage. It is of dubious value to local jurisdictions to forego tax revenue and defer the payment of special assessments for the sake of perpetuating the "farming" operation of a farmer-developer.

GLOSSARY OF TERMS

Agricultural Land--Land devoted to the production of food or fibre from animal or plant sources. Sometimes includes timber land, waste land, unusable wild land, and land included in federal farm programs.

Agricultural Value--The value of agricultural land solely for agricultural purposes. Does not include increments of value due to non-agricultural market forces, e.g., potential for urban development.

Assessment--The act or practice of determining the value of property for the purpose of levying ad valorem property taxes. See "Special Local Assessment" for a different shade of meaning for this word.

Differential Assessment--The practice of determining the value of real property for tax purposes at a different level if special criteria are met than would otherwise be the case. Green Acres property is differentially assessed as compared to non-Green Acres agricultural property of similar value and location.

Limited Value--Minnesota Statutes Section 273.11, Subdivision 2, Clause (a) places a ceiling on the amount by which assessed values of property can increase in a single year. In 1976 this limit was placed at the greater of 1) ten percent of the value of the property determined in the preceding assessment, or 2) one-fourth of the increase in valuation. Any excess over this maximum increase must be entered in subsequent years. "Limited Market Value," "Limited Agricultural Value," or "Limited Open Space Value" refer to values placed on property that are increasing in value at a rate such that the valuation increase has been held down to the maximum allowable increase pursuant to Section 273.11.

Market Value--The value of real estate determined according to the price the property would bring if sold on the free market. Sale price is considered to be equivalent to market value if the sale takes place between a willing seller and a willing buyer who are unrelated to one another.

Open Space Value--The value of open space property determined solely for open space use. Does not include increments of value due to other market forces, such as potential for urban development.

Rollback Tax--The tax that must be paid when property is sold or developed that previously was accorded differential assessment. Normally the rollback tax is equivalent to the tax reduction obtained by virtue of differential assessment over a specified period of time, e.g., the three previous years in the case of Green Acres property.

Special Local Assessment--A tax levied against real property to finance services or improvements that have been provided by a local unit of government. Normally the amount of a special local assessment is related to the cost of the improvement apportioned among the landowners who have benefitted. Thus, the magnitude of special local assessments does not

directly depend upon the value of the affected real estate, but may vary according to other factors such as size of the property or front footage.

Use Value--The value of real estate determined solely according to its current use. The use value of agricultural land is its "Agricultural Value" (see above).