

C	Community Development Committee	Item 2007-120
	Meeting date: June 18, 2007	

ADVISORY INFORMATION

Subject	Metropolitan Agricultural Preserves Program 2006 Status Report
Districts, Members	All
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Division/Department	Local Planning Assistance / Planning and Growth Management

REQUEST SUMMARY

This report summarizes participation in the Metropolitan Agricultural Preserves Program (MN Statutes §473H) for taxes payable in 2006.

- Minnesota legislation directs the Council to prepare annual reports summarizing participation in the program, and to maintain maps illustrating lands covenanted as agricultural preserve. The Council provides reports to the Commissioner of Trade and Economic Development, the Department of Agriculture, and other State agencies.
- The program is intended to provide metropolitan area farmers the assurance that they can make long-term agricultural investments, and continue farming on viable agricultural lands within the metropolitan area. It encourages the use of agricultural lands for food production, and recognizes farming as a long-term land use for properties enrolled. Enrollment in the Agricultural Preserves Program is voluntary and authorized by local governments having land use authority.
- The program is funded by a \$5.00 county-level fee on mortgage registrations and deed transfers. Counties use this revenue to fund property tax savings benefits to enrolled landowners.
- In 2006, the program enrolled over **186,400** acres, or approximately 291 square miles.

PROPOSED ACTION

Staff recommends that the Metropolitan Council:

1. Accept the 2005 Status Report to forward to the Minnesota Legislature, the Minnesota Department of Agriculture and other State agencies.

ISSUES

None

ATTACHMENTS

- 1 – 2006 Status Report

2006 Metropolitan Agricultural Preserves Program Status Report

**Twin Cities
Metropolitan Area
Publication 78-07-038**

About the Metropolitan Agricultural Preserves Program

Minnesota Statutes 473H established the Metropolitan Agricultural Preserves Program in 1980 to encourage preservation of long-term agricultural lands within the seven county metropolitan area. The Metropolitan Council has monitored participation in the Metropolitan Agricultural Preserves Program since 1982.

The legislation's intent was to provide metropolitan area farmers the assurance that they can make long-term agricultural investments, and continue farming on viable agricultural lands within the metropolitan area. It encourages the use of agricultural lands for food production, and recognizes farming as a long-term land use for properties enrolled in the program.

The Agricultural Preserve Program provides local governments a method to designate long term agricultural lands through the local planning process. It also plays a key role in ensuring the continued presence of agriculture as a long-term land use in the region. The Council has long used certification for program enrollment, through local comprehensive plans, as an indicator of agricultural areas deserving of the highest level of regional support.

The legislation directs the Council to prepare annual reports summarizing participation in the program, and to maintain maps illustrating lands covenanted as agricultural preserve. This report summarizes program enrollment as of the end of 2006.

Eligibility and Implementation

The local authority, or the unit of government having planning and zoning authority, is responsible for implementing the Program's legislative requirements, including the application process and the Program's restrictions. The local authority maps long-term agricultural land in the local comprehensive plan, then establishes zoning for the agricultural preserve areas, setting the density at no more than one dwelling unit per forty acres. Once these requirements are met, the land is considered "certified" eligible for landowners to complete applications and receive benefits.

Enrollment

Enrollment in the Agricultural Preserves Program is voluntary. The enrollment form is a restrictive covenant, recorded with the property title, that specifies that the local government has classified certain lands as agriculture, and has certified land eligible for designation as an agricultural preserve. The covenant indicates that the land shall be kept in agricultural use as defined by the legislation, which includes the production for sale of livestock, dairy animals or products, poultry and products, horticulture, and fruit.

Forty acres is the minimum land area required for eligibility in the program. However, the law provides certain conditions under which the minimum can be reduced to twenty acres. The restrictive covenant, or the enrollment mechanism, places limitations on the enrolled land to support long-term agricultural activities, and to receive program benefits. The restrictive covenant is recorded with the property title, so that the agricultural preserve status is maintained if ownership changes. The restrictive covenant remains in effect indefinitely, or until the landowner records an expiration notice with the county to initiate the eight-year expiration process. The restrictive covenant and its benefits remain in effect until the expiration date is reached.

Benefits

Enrollment in the Agricultural Preserves Program must occur before March 1st of any given year to receive the property tax benefits payable in the following year. The program provides a number of benefits that include special classification of the land based on its agricultural value, rather than its market value. A special tax rate is used to determine the amount of property taxes the landowner will pay, based upon a calculation using 105 percent of the previous year's statewide average tax rate for townships outside the metropolitan area. The lowest tax rate applies, whether the special rate, or the local rate. The lower rate typically results in a reduced property tax, or a minimum savings of \$1.50 per acre.

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

2006 Summary

From 2005 to 2006, the program's enrollment decreased 2,735 acres. Carver County continues to lead program enrollment with more than 94,000 acres. The table also shows enrollment in 1996, representing an enrollment decline of more than 11,000 acres over the last decade.

2006 Enrollment by County¹ (taxes payable 2006)

County Total	2006	2005	1996	1996- 2006 Change
Anoka	2,139	2,549	2,704	-565
Carver	94,621	96,115	101,054	-6,433
Dakota	60,838	61,166	60,304	534
Hennepin	12,413	12,732	13,409	-996
Scott	7,353	7,389	9,453	-2,100
Washington	9,101	9,249	11,323	-2,222
Total	186,465	189,200	198,247	-11,782

Funding

The Agricultural Preserves Program is funded by a \$5.00 fee on mortgage registrations and deed transfers (MRDT). The Counties retain half, or a \$2.50 share, and forward the remainder to both the Minnesota Conservation Fund and to the State general fund, split equally.

Program participants receive a property tax savings, or conservation credit. The Counties use their \$2.50 share to pay this property tax loss, and draw from the Conservation Fund if the county share is not sufficient to meet tax credit demands. Counties unspent funds may use the revenue to pay for other

¹ Minnesota Department of Revenue

purposes such as conservation planning and implementation. However, any remaining funds not spent within the year must be transferred to the State. The following table provides the Counties' \$2.50-share of the fee, collected during a specific calendar year and applicable to taxes payable the following year.

Conservation Credit

An important benefit of the Agricultural Preserves Program is the agricultural classification of the enrolled property creating a property tax savings, or "conservation credit." Enrolled property is assessed for tax purposes according to its agricultural value, and an agricultural preserve tax rate is applied. The rate is equal to the *"tax capacity value multiplied by 105 percent of the previous year's statewide average tax rate levied by townships outside the metropolitan area."* The property tax due is either the amount determined by this formula, or by the local tax rate for the city or township where the property is located, whichever is less, with a minimum tax rate is \$1.50 per acre.

The following table shows the acres enrolled, the conservation credit (property tax savings), the County's \$2.50 share of the fee revenue used to fund conservation credit, and the amount withdrawn from the State Conservation Fund.

2006 Program Funding and Tax Credit Summary

Metropolitan Counties	2006 Acres Enrolled	Conservation Credit (\$)	County Share (pay 2006)	Withdraw - Conservation Fund
ANOKA	2,139	\$3,210	\$147,724	\$0
CARVER	94,621	141,827	38,418	\$103,409
DAKOTA	60,838	93,647	158,890	0
HENNEPIN	12,413	29,114	419,520	0
RAMSEY	0	0	138,618	0
SCOTT	7,353	11,034	60,875	0
WASHINGTON	9,101	13,513	94,823	0
METRO TOTAL	186,465	\$292,345	\$1,058,868	\$103,409

Twin Cities Metropolitan Area
**Metropolitan Agricultural Preserves
2006 Enrollment**

May 16, 2007

