

Preserving Minnesota's Agricultural Land: Proposed Policy Solutions

June 30, 2012

Attachments to Appendix A,
Prior Reports and Recommendations
Regarding Minnesota's
Farmland Preservation Programs

Rural Area Task Force Report
to the Metropolitan Council

February 1979

Metropolitan Council *of the Twin Cities Area. Rural Area Task Force*
300 Metro Square Building, Seventh and Robert Streets
St. Paul, Minnesota 55101
Telephone: 291-6464
Publication No. 02-79-003

TABLE OF CONTENTS

	Page
INTRODUCTION.....	1
SUMMARY.....	3
ORIENTATION.....	4
THE CORNERSTONE.....	6
POLICY-AREA RECOMMENDATIONS.....	9
The Preservation of Agriculture.....	9
The General Rural Use Region.....	22
Rural Centers.....	33
AREA-WIDE RECOMMENDATIONS.....	39
Education for the Potential Rural Resident.....	39
Land Conveyance: Reaching the Potential Buyer.....	39
Rural Services Handbook.....	41
Lot Sizes and Density Standards.....	42
High Density Land Uses.....	42
Annexation.....	43
Directing and Targeting Federal Funds in the Rural Area.....	45
Open Space.....	45
Inconsistent Assessment Practices.....	46
Better Education in Rural Concerns.....	46
Coordination with Adjoining, Non-Metropolitan Communities.....	48
RURAL AREA OVERVIEW.....	48
Figure 1. Development Framework Plan.....	5

MINNESOTA HISTORICAL
SOCIETY LIBRARY.
23 MAY '76 pub. g.

394
T9
K48

Introduction

In February 1978, 57 people gathered at the Metropolitan Council to begin a vibrant ten-month study of rural area issues. The Rural Area Task Force was formed by the Metropolitan Council to establish a common understanding of rural area concerns and to prepare recommendations for managing the rural area in the context of the growing Twin Cities Metropolitan Region.

This final report presents the findings and 60 recommendations of the task force. The recommendations are found throughout the report, numbered and printed in capital letters.

Members of the task force were appointed by the Metropolitan Council and served without pay. The task force was made up of people who live and work in and are knowledgeable about the rural areas of this Region. Membership included farmers; extension agents; county, township and municipal officials; a veterinarian; a county agricultural appraiser; a county surveyor; an economist; and many others.

The major work of the task force was performed by three committees — Agricultural Preservation, General Rural Use, and Rural Centers. The task force was divided in this way because the Metropolitan Council's Development Framework guided growth plan establishes three definable land uses within the "Rural Service Area." Those land uses include a Commercial Agriculture Region, a General Rural Use Region and Rural Centers or hamlets. Each committee prepared summary reports at the conclusion of its work. These reports were then discussed extensively by the full Rural Area Task Force in September and October 1978 and, after suitable amendment, recombined to form this final report.

The Agricultural Preservation Committee was the largest committee and carried out its assignment through four work groups. Each work group prepared a report for the committee which in turn prepared the summary report. Since the work group reports contribute valuable background to the final report; they are included intact in the appendix which was reproduced separate from this report and may be obtained by calling or writing the Metropolitan Council Public Information Office.

In addition to being the largest committee, Agricultural Preservation had the benefit of a foundation already established by the 1975 Technical Advisory Committee on Agriculture. It also had the benefit of substantial policy direction in the Metropolitan Development Framework Plan.

The primary charge for this committee was not, "Should agriculture be preserved?" but "How can it be preserved?" In the course of its work, the committee made many significant observations about why agricultural land is lost and what needs to be done to stem the loss of this important economic resource. The committee identified the generation-to-generation transfer of the farm and the problems that impede that transfer as the most critical points, and it was felt that this identification was a virtual breakthrough in understanding the whole issue of agricultural preservation. The discussion and recommendations on this subject should be given careful consideration.

226488

The General Rural Use Committee also used work groups for the major part of its assignment. The committee, which was originally entitled "Non-Farm Development," changed its name to more positively identify with the area it was addressing. The main focus of its attention remained the non-farm development in that area which is neither long-term agriculture nor rural centers.

Non-farm development in the rural area is a subject which is unquestionably one of the most vexing from many standpoints: from the homeowner's standpoint when he or she discovers how septic tanks function and what rural life style really is like, from the local government's standpoint when making everyday decisions on services and development, and from the regional standpoint as the Metropolitan Council establishes its orderly growth program for the Region. This will remain a difficult issue for all involved, but the recommendations of the task force should lead to a better understanding of the subject and better management of the area.

Many of the recommendations prepared by this committee were ultimately included in the section on area-wide recommendations because they applied to all rural communities. Work group reports to this committee are included in the appendix.

The Rural Centers Committee, almost characteristically, was the smallest committee and always met as a whole. It is important that the reader make the distinction between which communities are Rural Centers and which are Freestanding Growth Centers, since the latter were not directly addressed by the task force. The Rural Centers are identified in the Development Framework Plan, and basically are the small, old, rural municipalities which usually do not have many urban services. Freestanding Growth Centers are large rural centers with most urban services available and which can accommodate moderate growth.

The findings of the Rural Centers Committee were corroborated by a special survey of Rural Center mayors, city councilmen and local planners. Survey response was excellent and showed a dramatic correspondence with the committee's recommendations. (A report on the survey and response is contained in the appendix.)

Finally, it should be noted that this report is advisory to the Metropolitan Council. However, its scope is much wider. The report shows clearly that many of the policy objectives of the Metropolitan Council require the participation and cooperation of all levels of government and, unquestionably, the understanding and consent of the public.

The report will be distributed to local governmental officials, interested parties and the Minnesota Legislature. Local and county governments will find many recommendations which apply directly to their activities, as will state and federal agencies. It is hoped the recommendations, through their wide application, will provide some guidance to those governmental units. It is also hoped the report will assist governmental officials, as well as the public at large, to gain a better understanding of the rural area issues in this Metropolitan Region.

Summary

The task force concludes that a sound local planning and administrative capability is the cornerstone for obtaining all other agricultural, development and life-style objectives. Efforts are vitally needed to bolster existing programs that provide support for this capability. It takes as much management expertise to maintain a desired rural situation as it does to handle rapid urbanization.

AGRICULTURAL PRESERVATION

The task force agrees with the Metropolitan Council that agriculture is a primary land use and should remain so for a very long time. But to bring this about, several steps are needed: government activities should be realigned to be more supportive of agriculture; a stable land use environment should be created to assure capital availability and a fair realization of equity; and the tax burden on farmland should be equalized. The task force urges the establishment of an agricultural preserves program that provides several necessary corrections and incentives to support long-term agricultural activity in the Metropolitan Area. The generation-to-generation transfer of the farm is identified as the most critical point in agriculture preservation, and several measures are suggested for overcoming problems associated with this transfer. It is recommended that the Green Acres law be continued, but that certain changes are needed and that its area of application should be reduced as it is superseded by agricultural preserves.

GENERAL RURAL USE REGION

The General Rural Use Committee acknowledged that within the General Rural Use Region there is tremendous diversity from one community to another, and from one county to another. At the same time, the committee was able to identify land uses and other qualities of a "rural life-style" which were felt to prevail across the General Rural Use Region as a whole. The committee felt these land uses are legitimate and "ultimate" land uses — that is, the General Rural Use Region is not an area waiting to be developed and urbanized.

The committee said that local rural communities should, in their comprehensive plans, clearly define the kind of development that they want to encourage or restrict within their boundaries. The committee felt that without such careful local consideration, the General Rural Use Region will encounter more and more suburban development, eventually causing great difficulty for rural residents and rural governmental units.

RURAL CENTERS

Rural Centers, the task force thinks, need to make a greater effort to manage their own destiny as they face the prospects of being buffeted by an ever increasing number of conflicting forces in the rural area. The task force makes several recommendations for improving the capability of the small Rural Centers to deal with these forces. Specific planning issues, management needs, and important intergovernmental relationships are identified. Growth is vital to most Rural Centers, but the task force emphasizes that growth for a Rural Center is much different than growth for a suburban community. Services are also an important issue

for Rural Centers, but especially so because it is usually the Rural Center which supports them. The task force urges the Rural Centers to reconsider how service costs are allocated, and to assure that they are not subsidizing the scattered non-farm development which frequently contributes to their demise.

AREA-WIDE RECOMMENDATIONS

The task force also identified several very important issues which apply to the entire Rural Service Area. Recommendations include measures to better prepare the potential rural residents for the life-style that exists in the rural area; to improve awareness of local regulations and limitations as land is bought and sold; and to develop a rural services handbook that identifies for local officials key decision points for supplying services. In addition, several recommendations were made for correcting annexation abuses and for assuring a more equitable annexation process, for directing and targeting federal funds in the rural area, and for establishing new or separate legislation for preserving open space so that agricultural preservation legislation is not mis-used for this purpose.

Finally, the task force urges the Metropolitan Council to make a concerted effort to assure that the Council staff and Council members maintain an awareness and understanding of rural concerns. And it especially recommends the creation of a rural advisory group to assure the continuation of this effort.

Orientation: The Rural Service Area

Readers of this report will observe frequent references to terms such as "Rural Centers," "General Rural Use Region," and "Commercial Agriculture Region."

The basis for this terminology is the Metropolitan Development Framework, the Metropolitan Council's overall development plan for the Twin Cities Metropolitan Area. The terms usually refer to the general policy areas shown on page 5.

It should be further noted that delineation of these areas will be refined by individual local governments under the provision of the Metropolitan Land Planning Act of 1976.






The policy areas related to this report are defined by the Development Framework as follows:

Commercial Agriculture Region — The regional purpose of the Commercial Agriculture Region is the maintenance of commercial farming and food production and related agribusiness as the primary and predominant activity in the Rural Service Area.

General Rural Use Region — The regional purpose of the General Rural Use Region is to provide very low intensity land uses such as commercial farming, hobby farms, horticulture, conservation of natural resources, passive recreation, and in some cases to act as a holding or





DEVELOPMENT FRAMEWORK PLAN

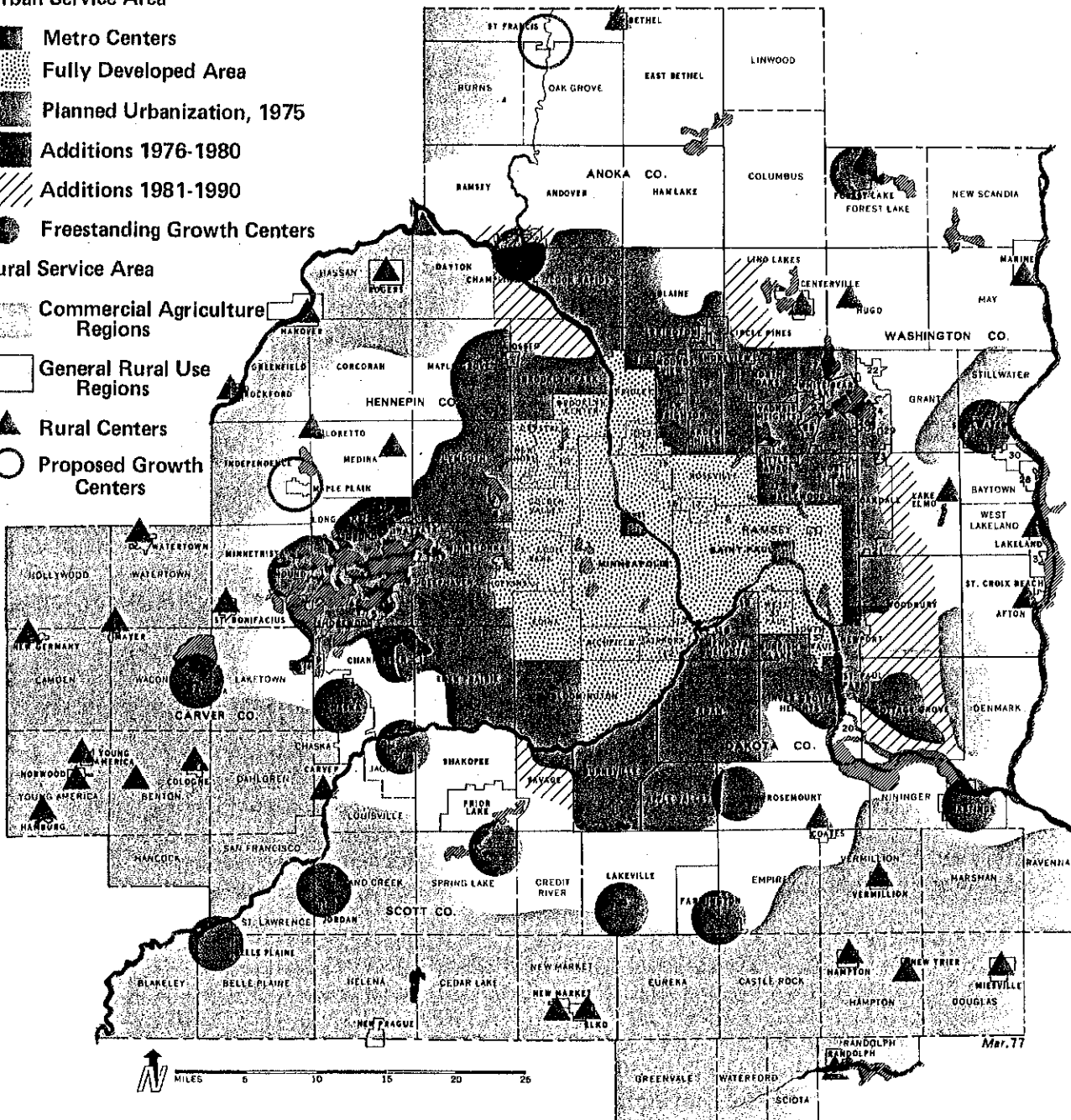
Urban Service Area

-  Metro Centers
-  Fully Developed Area
-  Planned Urbanization, 1975
-  Additions 1976-1980
-  Additions 1981-1990

-  Freestanding Growth Centers

Rural Service Area

-  Commercial Agriculture Regions
-  General Rural Use Regions
-  Rural Centers
-  Proposed Growth Centers



TWIN CITIES METROPOLITAN AREA

transition area between long-term agricultural areas and urbanization areas.

Rural Centers — The Rural Centers are the small rural cities which usually do not have most of the standard municipal services. The regional purpose of Rural Centers is to support local agricultural enterprises and to accommodate residential development at a scale appropriate to the Rural Centers' ability to finance and administer services. In those cases where the municipal boundaries are very extensive, areas contiguous to the central business district, often an "old village," or served by central sewers are considered the Rural Centers. The remainder of the municipality is a rural service area.

Freestanding Growth Centers — These are the larger rural cities which possess adequate municipal services to maintain a reasonable rate of growth. They have on a reduced scale most of the characteristics of the Metropolitan Area, i.e., a downtown and older core, a developing ring, and a surrounding rural area.

The Cornerstone

All three committees of the task force, although working in separate policy areas, have emphasized strongly that planning is the cornerstone for successful management of a rural metropolitan community. But the planning referred to here is more than a simple map or report which may sit on a shelf collecting dust.

The task force emphasized that the planning process is an ongoing program for becoming aware of community resources, service demands, costs, long-term fiscal implications, etc., and for examining them in the larger perspective of community goals and policies. The planning program must be closely linked with the local decision-making process for regulations, zoning, and so forth.

This planning framework is needed because rural communities are affected by many pressures and interests, including the county, Metropolitan Council, real estate interests, retiring farmers, commercial interests, and many more. All of these factors are collectively creating and changing the life-style in the rural area. The task force made ten recommendations concerning local planning.

1. IF A COMMUNITY HAS ANY DESIRE TO PROTECT, ESTABLISH, OR MAINTAIN A CERTAIN RURAL SITUATION, IT MUST PREPARE AN ONGOING PROCESS FOR CONSIDERING AND BALANCING THE NUMEROUS AND VARIED INTERESTS AND PLACE THEM IN THE LARGER PERSPECTIVE OF COMMUNITY GOALS. AN ONGOING LOCAL PLANNING PROCESS IS THE ONLY WAY THIS CAN BE ACHIEVED. AS ONE MEMBER DESCRIBED IT, "THE KEY TO PROTECTION IS YOUR PLAN."

Because of the large number of interests and pressures that may affect a rural community, only one of which is the Metropolitan Council, a caution is in order: the local plan is fulfilling many needs beyond those listed in the Metropolitan Land Planning Act (MLPA).

2. THE METROPOLITAN COUNCIL SHOULD NOT MISTAKE SUPPLEMENTARY ITEMS IN THE LOCAL COMPREHENSIVE PLAN FOR A DEPARTURE FROM THE METROPOLITAN LAND PLANNING ACT REQUIREMENTS.

In the major sections of this report, specific recommendations are made for improving the planning process, and for correcting many related factors. At the outset, however, and in the planning context, certain matters should be emphasized.

3. PLANNING LAWS SHOULD REQUIRE AN AGRICULTURAL COMPONENT IN EVERY COMPREHENSIVE PLAN.

Agriculture is more than a resource. It is a vital industry which, by its very existence, makes many contributions to the Region. As a primary land use, it should be given major attention in a local comprehensive plan just as housing, transportation and waste management are presently.

In subsequent parts of this report, land areas are identified as being "long-term" or "short-term." Long-term refers to land for which there is no reasonable need to convert to urban use in the foreseeable future (at least 20 years). Short-term is that land which is located in an area where much of the land has a reasonable expectation of being urbanized during the next ten to 20 years. The agricultural component of local comprehensive plans should identify these two areas. The vast majority of the farmland in the Metropolitan Area is long-term. This land should not be regarded as a holding zone for future development.

The task force suggests that the long-term status of such lands should be clearly identified with suitable roadside signs just as wildlife management, state parks, and some conservation lands are identified.

The future of Rural Centers and the General Rural Use Area depends on sound local planning and decision-making. Each Rural Center must establish an aggressive local planning process that addresses its problems and issues and establishes political and administrative structure for solutions to these problems.

Rural Centers, in particular, must confront the need to establish new economic bases or secure existing economic bases if they are to maintain themselves, much less grow. Many, if not most, Rural Centers find themselves confronting an uncertain future and a need to make well-considered decisions on their future growth and development. A few centers have ostensibly committed themselves to a course of action and now require the means to assess and implement their decisions.

Many communities find it difficult to gather local support for comprehensive long-range planning. This is frequently due to fears of forced (legislatively mandated) planning and a perception of planning as a means to curtail individual freedoms and property rights.

4. THE SECURING OF CITIZEN INVOLVEMENT IN AND SUPPORT FOR THE GOALS, POLICIES AND STANDARDS FOR COMMUNITY DEVELOPMENT SHOULD BE A MAJOR ITEM IN ANY LOCAL PLANNING PROCESS. CONTRACTS WITH PRIVATE OR PUBLIC PROFESSIONALS TO PREPARE LOCAL PLANS AND ORDINANCES SHOULD INCLUDE SPECIFIC PROVISIONS FOR COMMUNITY EDUCATION AND PARTICIPATION, AND CONTINUED INVOLVEMENT IN THE PLANNING PROCESS.

County, metropolitan, state and federal units of government and agencies preparing plans and programs which affect local units of government should take special measures to secure local participation during plan preparation. When general public interest must override the interests of a particular community, the agency preparing the plan should be required to explain why to the affected community.

Agricultural communities must actively publicize and enforce their plans and ordinances. Local banks, real estate agents, and prospective buyers should be made aware of the communities' goals and development restrictions.

Despite the availability of both publicly and privately produced handbooks on the local planning process, many rural communities that are faced with undertaking and administering a comprehensive planning program do not have a thorough understanding of its purpose, the steps in the process and the resources available to them throughout the process. Also, many rural communities do not have the resources to effectively conduct such planning and implementation programs. Most rural communities can use county planning services. But rural communities in Hennepin and Ramsey counties must be particularly independent because these counties are not permitted to carry out land planning activities.

5. LOCAL PLANNING HANDBOOKS AND RESOURCES (BOTH FINANCIAL AND PROFESSIONAL) SHOULD BE BETTER PUBLICIZED AND DIRECTLY APPLIED TO RURAL NEEDS.
6. THE STATE LEGISLATURE AND CONGRESS SHOULD BE URGED TO APPROPRIATE ADDITIONAL MONIES FOR LOCAL RURAL PLANNING EFFORTS AND THEIR IMPLEMENTATION BY EITHER AUGMENTING EXISTING FUNDING VEHICLES (METROPOLITAN PLANNING ASSISTANCE GRANT PROGRAM, 701 ASSISTANCE, FARM HOME ADMINISTRATION SECTION III) AND/OR BY ESTABLISHING NEW PROGRAMS SPECIFICALLY FOR RURAL PLANNING.
7. COUNTY AND REGIONAL PROFESSIONAL PLANNING ASSISTANCE TO RURAL COMMUNITIES SHOULD BE CONTINUED AND EXPANDED AND MADE AVAILABLE AT THE REQUEST OF LOCAL GOVERNMENTS.

Increased development, service requirements and the need for local comprehensive planning have created a great deal of pressure for expanded administrative and management capabilities in rural communities. Many rural governments recognize the need for change

from part-time government to a more sophisticated administrative structure, but the costs of such change are frequently beyond the reach of most rural governments. Innovative measures are needed to bridge this gap.

8. RURAL PLANNING SHOULD INCLUDE AN ASSESSMENT OF LOCAL ADMINISTRATION CAPABILITIES AND FUTURE ADMINISTRATIVE NEEDS.
9. RURAL UNITS OF GOVERNMENT FACED WITH A NEED FOR EXPANDED ADMINISTRATIVE AND MANAGEMENT CAPABILITIES AND LIMITED ABILITY TO PAY FOR SUCH EXPANDED SERVICES SHOULD INVESTIGATE OPTIONS FOR SHARED SUPPORT OF "CIRCUIT RIDER" ADMINISTRATORS, PLANNERS, INSPECTORS AND OTHER MUTUALLY NEEDED PERSONNEL. STATE, COUNTY, OR METROPOLITAN PROGRAMS SHOULD BE ESTABLISHED TO PROVIDE FUNDS TO MAINTAIN AND IMPROVE NEEDED ADMINISTRATIVE AND CODE AND ORDINANCE ENFORCEMENT CAPACITY. THIS IS VITALLY IMPORTANT FOR ACHIEVING LOCAL, REGIONAL AND STATE OBJECTIVES FOR COORDINATED AND ORDERLY DEVELOPMENT THROUGH THE IMPLEMENTATION OF COMPREHENSIVE PLANS.
10. RURAL COMMUNITIES SHOULD ESTABLISH AND MAINTAIN REGULAR ASSOCIATION AMONG THEMSELVES IN ORDER TO CREATE AN IDENTITY FOR SHARING INFORMATION, SUPPORT AND IDEAS.

Policy-Area Recommendations

THE PRESERVATION OF AGRICULTURE

Perspective

Agriculture is a major land use and the largest single land use in the Metropolitan Area. The Metropolitan Area lies on the northern edge of the Midwest corn belt which is one of the world's largest agricultural regions and is noted for its vast productive capability. According to Metropolitan Council land use policies, this prime agricultural land should be protected to promote long-term agricultural use of the land.

In 1977 approximately 1,600 square miles (1,037,700 acres) of the 2,840 square miles of land in the Metropolitan Area were classified as farmland. Harvested acreage in that same year totaled over 1,000 square miles. The distribution of farmland varies considerably by county with Ramsey almost totally an urban county and Carver, Dakota and Scott counties three-fourths or more agricultural.

Agriculture in the Metropolitan Area is threatened in two major ways. First, in the outright conversion of farmland to urban uses; and second, through a much greater but less visible impact of impermanence and uncertainty.

From 1964 to 1974, 16 percent of the Metropolitan Area farmland was converted to urban uses. At the same time, the number of farms declined by 15 percent. Rather than peripheral land immediately adjacent to urban land, much of the loss was widely scattered throughout the Region. This scattering contributes to the second and far greater problem: impermanence. As non-farm development scatters about the agricultural area, land values jump and many land use conflicts arise. A gradual questioning of the future of agriculture develops in the farm community and important agricultural investments are neglected. There is a gradual shift in the attitude of the whole community, and before long farm people themselves are caught in the conversion trap and, in effect, work against themselves. Often government programs, at all levels, join this confusion and add to the complexity and unsettlement of the area. The following section of this report will elaborate on certain aspects of this dilemma.

The farm community and the public in general should be seriously concerned about this problem because of the unnecessary disruption of productive agricultural areas and the loss of this important economic activity. In addition, enormous governmental costs can result from the inefficient use of costly public services.

Agricultural preservation has the mutual benefit of protecting the farm community and substantial private investments, and assisting with more orderly and realistic urban growth, and thereby more efficient use of government services.

Fundamental Position

There is need for a state program which identifies agriculture as a primary land use and which realigns government programs and actions to be supportive of long-term agricultural use.

Farmers do not need bribes or give-aways to continue farming. But in the vicinity of an urban area, certain measures are needed to compensate for pressures and forces beyond the control of the farmer, which work against the productive agricultural use of the land.

There is no question that if nothing were done to change the present state of affairs, some farming would continue in many parts of the rural Metropolitan Area. Many corrections have already been made which are beneficial to long-term farming. These include local planning and zoning efforts and the Metropolitan Council's Development Framework program. The importance of such efforts should not be neglected. But these alone are not sufficient.

This task force has determined that several additional measures are needed, as well as improvements in local planning and zoning, to secure a stable agricultural economy in the rural portion of the Metropolitan Area.

If nothing more is done, vast portions of the agricultural area will remain unstable, resulting in a waste of valuable productive resources in the land itself and affected farm enterprises, premature conversion to urban uses, and waste of public resources to serve these urban uses.

It must be realized that agricultural preservation is not only a matter of protecting the land. It is equally important that a viable farm community be preserved, and this means that cultural, governmental, financial and political institutions must make additional efforts to support the farm economy.

The task force does not think that agricultural preservation will run contrary to economic realities, but instead will reflect 1) a more realistic understanding of the economic forces at work, 2) a more realistic appreciation for the potential of non-farm development, and 3) the efficient use and conservation of valuable land resources.

The Rationale for Preserving Farmland

There are many good reasons for preserving the Region's farmland. The following are those discussed by the task force.

- Farmers are committed to agriculture and want to keep their land in agricultural use. Agriculture is the basic industry of this country.

The task force felt that a majority of farmers have a strong desire to keep their land in agricultural use while they own it, and want to see it remain in agricultural use after they retire. Attitudes to the contrary usually reflect a misunderstanding of the role of land as both equity and the means of production. Often, the land is a farmer's retirement. The task force made recommendations to deal with this issue.

- Much of the rural land in the Metropolitan Area is highly productive and capable of sustaining high levels of production indefinitely with good farm management.

Five of the six agricultural counties have large areas of prime agricultural soils as defined by the Soil Conservation Service. Additional areas have been made highly productive through irrigation systems and specialty crop management such as in the Anoka peatland farms.

- Farmers have committed a substantial capital investment to farming in the Metropolitan Area.

Much of this commitment is in permanent facilities such as silos, barns, pole sheds, irrigation wells and drainage, in addition to equipment such as tractors, machinery and implements.

- Much of the agricultural land has been extensively prepared for productive farm use over many years of careful management.

Crops do not just appear all by themselves. The fields must be prepared, conservation plans implemented, and many careful modifications made over the years to adapt the land to the crops, the machinery, and special soil conservation techniques that particularly suit the land.

- The land is not needed for urban development.

Even the most optimistic population forecasts show that population growth will not attain a level that would require a significant share of the farmland in the Metropolitan Area over the next several decades.

- There is plenty of non-agricultural land already with urban services available or scheduled which can contain non-farm development for many years to come.

The present Development Framework Plan alone includes sufficient land for development needs at least through 1990.

The Need for a Stable Land Use Environment

The acre-for-acre conversion of farmland to urban use is much less significant than the effects of the far-extending sense of impermanence and uncertainty which result from an unstable land use environment when non-farm uses are permitted in the farm area and given priority.

It is a subtle effect which rarely becomes visible to the urban eye until long after corrections can be made. To the farmer, however, the results are quite apparent. Capital investments which are needed to maintain productivity are deferred because of the uncertainty that they can be amortized. Land acquisitions which are needed to attain productive efficiency are dropped because the farmer is bidding against non-farm investors with greater resources; farm management practices become sloppy because it is presumed that the land will be torn up eventually for houses. The children of established farmers and new farmers, in general, are reluctant to take over the farms, even if they could afford to, because of doubts about the future of the land and the hassles with non-farm residents in the area.

This task force believes that much of the impermanence and uncertainty in the rural Metropolitan Area can be corrected and replaced with a legitimate assurance and certainty that agriculture has a sound, long-term future. But all levels of government have a responsibility and must take action. The planning recommendations discussed in the first section form the foundation of that action.

Ordinances and regulations (e.g., control of noise, dust, odor and other matters) that apply to the agricultural areas should not be designed to encourage or support non-farm development in those districts or to support non-farm development elsewhere in the community at the expense of normal farm operations.

11. PUBLIC AGENCIES SHOULD BE SEVERELY DISCOURAGED FROM PURCHASING TILLABLE LAND IN AGRICULTURAL AREAS FOR NON-FARM PURPOSES.

12. LEGISLATION WHICH APPLIES TO THE USE OF PRIVATELY OWNED LAND

FOR A PUBLIC PURPOSE, SUCH AS POWER LINES, PUBLIC ACCESS, AND SO FORTH, SHOULD PLACE AGRICULTURAL LAND AT A HIGHER LEVEL OF PROTECTION THAN WETLANDS, FLOODPLAINS, OR OTHER LAND WHICH ARE NOT WORKED BY AGRICULTURAL EQUIPMENT.

Public agencies often overlook the fact that farmlands need to be worked by large equipment while wetlands and such do not.

13. A STUDY COMMISSION SHOULD BE FORMED AT THE STATE LEVEL TO RESOLVE THE MANY PROBLEMS NOW ATTRIBUTED TO EMINENT DOMAIN.

Eminent domain actions were identified as a "necessary evil," but a serious threat to agricultural areas if not managed with care for the farmers' concerns. The task force feels that the subject is very complicated and beyond the scope of its assignment. A state commission could provide the process needed for examining the many perspectives on this issue and preparing solutions.

14. PROGRAMS AIMED AT THE PRESERVATION OF AGRICULTURAL LANDS SHOULD CONCENTRATE ON LAND USE RATHER THAN LAND OWNERSHIP. NEW LEGISLATION FOR AGRICULTURAL PRESERVATION SHOULD INCLUDE A TIME COMMITMENT BY THE OWNER TO AGRICULTURAL USE FOR A SUBSTANTIAL PERIOD OF TIME, REGARDLESS OF WHO FARMS IT. THE TASK FORCE SUGGESTS A PERPETUAL TEN-YEAR COMMITMENT IN WHICH EACH YEAR ADDS ONE YEAR UNTIL ONE OF THE PARTIES INITIATES TERMINATION. (SEE RECOMMENDATION NUMBER 24 AND DISCUSSION REGARDING "AGRICULTURAL PRESERVES" FOR MORE DETAIL.)

Land use is more important than land ownership in programs aimed at the preservation of agricultural land. The objective of agricultural preservation programs is to promote the retention of land in agricultural use as well as to promote the continuation of the family farm. While retention of a certain percentage of commercial farmers is required for the continuation of agricultural operations in the Metropolitan Area, availability of rental land is also necessary to agricultural operations.

Farmlands in the Metropolitan Area are frequently purchased as rural estates by agricultural investors desiring seclusion and the rural life-style. These persons do not farm the land themselves but make their lands available for rental for agricultural purposes. Rural estate owners offer both a source of rental lands for agriculture and a source of farm buyers who will keep the land in agricultural use.

15. AGRICULTURAL PRESERVATION PROGRAMS SHOULD REFLECT AN UNDERSTANDING OF THE VARIATIONS IN AGRICULTURE FROM ONE REGION TO ANOTHER.

The Metropolitan Region is characterized by a great diversity in agricultural operations,

although they are typified by capital intensive, smaller acreage family farm operations. Maintaining and encouraging diversity offers flexibility and stability to the survival of farming here. Preservation programs should apply to a broad range of agricultural operations.

Equity Realization and Capital Availability

A crucial issue in the preservation of agricultural land in the Metropolitan Area is the farmer's need to obtain equity from the farm upon retirement.

Misunderstanding of this issue has been the source of considerable difficulty in agricultural preservation efforts. Unlike most other occupations, a farmer's retirement does not come from a company pension plan, but rather is often dependent on the sale of the farm. The critical point for farmland preservation, therefore, is the time that land ownership is transferred, and there is a need for programs aimed at that time of transfer. The problem is that suburban development is encroaching on farmland in the Metropolitan Area, and land speculators and developers frequently offer the highest price for farmland. The price of the land may prohibit its purchase for agricultural use. The farmer sees at best only two choices open to him when he sells his farm: 1) to sell for the best price with no assurance that the land will remain in agriculture, or 2) to sell to a farmer at a sacrifice in order to keep the land in agriculture.

In an area where the outlook for farming is uncertain there are few agricultural buyers, but many speculative or investment buyers. No wonder, then, that farmers are often quoted as wanting to sell for development.

As noted in the beginning, this task force believes that most farmers want to see their land remain in agricultural use. But preservation efforts will be incomplete until steps are taken to compensate for this equity problem.

After extensive discussion of the issue, the task force concluded that the establishment of a comprehensive agricultural land preservation program will also help resolve many of the capital and equity problems, including those of the new farmer and the problem of equity realization for the retiring farmer. Similarly, the availability of solutions to the equity problem will increase farmers' willingness to participate in agricultural land preservation programs.

16. NEW MEASURES ARE NEEDED TO PROVIDE FARMERS WITH ADDITIONAL OPTIONS UPON SALE OF THE FARM SO THAT FULL VALUE IS OBTAINED, BUT WITHOUT TAKING THE LAND OUT OF AGRICULTURE.

The task force identified several alternatives which show promise. These include an agricultural land bank program similar to the program in Saskatchewan, Canada, a quasi-public company patterned after the St. Paul Port Authority, and a development rights program.

Both the Saskatchewan and Port Authority concepts would provide a sales alternative for the retiring farmer, and also a specific program for facilitating the purchase or lease of farmland by new or young farmers, as well as family members.

A development rights program would likely be much different. Sale or transfer of development rights was discarded as generally too costly and too complex. A "donation of development rights" program may have more potential. Briefly, farmers would donate their "development" rights to a state land trust and, in turn, could deduct a percentage of the value from their income tax.

This could contribute a positive cash flow to the farm, and subsequently, when the land is sold, only farm buyers would likely be interested and the land value would reflect only the agricultural value. The presumably lower agricultural value would make it possible for more new farmers to buy land in the Metropolitan Area.

An obvious shortcoming of the development rights approach is that there is no specific program of assistance to new farmers. On the other hand, by assuring the long-term use and agricultural value of the land, the market place may resolve these other problems by itself.

17. CAPITAL AVAILABILITY IS A SERIOUS PROBLEM FOR THE NEW OR YOUNG FARMER WITH RELATIVELY LITTLE ESTABLISHED CREDIT OR EQUITY. NEW MEASURES FOR PROVIDING ADDITIONAL FARM SALES OPPORTUNITIES, AS RECOMMENDED IN NUMBER 16, COULD ALSO BE DESIGNED TO HELP PROVIDE ADDITIONAL CAPITAL FOR NEW OR YOUNG FARMERS.

Capital availability is particularly crucial to agricultural preservation in the Metropolitan Area because of the capital intensive nature of farming in the area. The task force has determined that it is not a severe problem for the established farmer in the Metropolitan Area because of his net worth, cash flow, and ability to repay. But it is a severe problem for the new farmer.

It becomes a severe problem for the established farmer when he retires or sells, and the new farmer who would like to take over the operation but cannot because he cannot obtain the capital.

The land bank programs described above could be especially useful in providing financial assistance to young farmers; and through their land handling programs, land could be leased for a period of years as the young farmer builds equity, eventually buying the land.

18. INHERITANCE AND CAPITAL GAINS TAX LAWS SHOULD BE CHANGED TO ENCOURAGE CONTINUED OPERATION OF THE FAMILY FARM BY HEIRS.

One of the main problems of equity realization is the generation-to-generation transfer of the farm. Inheritance and capital gains taxes discourage continued operation of the family farm by heirs.

Present laws on gift taxes, inheritance taxes, capital gains and interest rates create severe financial barriers in the generation-to-generation transfer of the farm. This is a problem for other small family businesses as well. The task force believes that present laws are overly restrictive and inequitable. Hence, proposed changes would not create special benefits, but only correct a serious imbalance.

19. THE FAMILY FARM SECURITY PROGRAM SHOULD BE EXPANDED TO SERVE GREATER NUMBERS OF NEW AND YOUNG FARMERS IN THE METROPOLITAN AREA.

- THE NET WORTH LIMITATION SHOULD BE INCREASED SUBSTANTIALLY.
- THE STATE TAX EXEMPTION ON INTEREST FROM CONTRACT-FOR-DEED FARM SALES TO NEW FARMERS SHOULD BE EXTENDED TO A GREATER NUMBER OF SELLERS.

The Family Farm Security Program offers assistance to the new or young farmer but in a limited number of cases. The net worth limitation of \$50,000 is unrealistically low, especially for the Metropolitan Area, and this limits the number of young or new farmers who could be assisted in the Metropolitan Area. The state tax exemption on the interest from a contract for deed sale of a farm is an excellent incentive to farm sellers to assist new farmers but is again limited by the small number of new farmers able to qualify under the Family Farm Security Program.

20. THE FARMERS HOME ADMINISTRATION (FmHA) FARMER LOAN PROGRAM SHOULD REAFFIRM ITS COMMITMENT TO SOLVING THE SPECIFIC PROBLEMS FACED BY BEGINNING AND DISTRESSED FARMERS.

The Farmers Home Administration farmer loan program was originally intended to assist young farmers and distressed farmers, but the program appears to have moved toward making more secure loans instead.

Equalizing the Tax Burden

Preserving a viable agricultural economy in the Metropolitan Area requires equalizing the tax burden so that farmland which is designated for long-term agricultural use is taxed the same as similar land outstate that is removed from urban influences.

It must be recognized that the property tax burden is based on local mill rates and special assessments as well as valuation. The Green Acres law, which was passed by the Minnesota Legislature in 1967, is intended to equalize taxes but applies only to valuation and merely defers payment on special assessments. The discrepancies in mill rates between metropolitan and outstate communities, and the potential of special assessments nullify the preservation benefit of the Green Acres law. Once utilities are built and assessed to the farmland, conversion is no longer a question, only a matter of time.

Land has a different meaning to a farmer than most others — it is a means of production. In most other industries, the means of production is considered personal property and is not taxed.

21. STATE LEGISLATION FOR AGRICULTURAL PRESERVATION MUST INCLUDE MEASURES FOR EQUALIZING THE TAX BURDEN.

- THE LEGISLATURE SHOULD CONSIDER ADOPTING A SPECIAL APPROACH TO TAXATION OF LAND WHICH IS COMMITTED TO AGRICULTURE SO THAT THE NET TAX IS RELATED DIRECTLY TO THE CAPABILITY OF THE LAND IN AGRICULTURAL USE.
- THE LEGISLATURE SHOULD CONSIDER CHANGES IN THE SCHOOL AID FORMULA SO THAT THE TAX BURDEN ON FARMLAND IS EQUALIZED BETWEEN OUTSTATE AND METROPOLITAN AREAS.
- AFTER SUITABLE MEASURES ARE ADOPTED TO EQUALIZE THE TAX BURDEN ON LONG-TERM AGRICULTURAL LAND, ALL RURAL RESIDENCES, INCLUDING THE FARMHOUSE, SHOULD BE TREATED ALIKE AND CLASSIFIED RESIDENTIAL.

The task force recognizes the complexities of the Minnesota property tax system. After extensive discussion of this issue and potential solutions, the task force determined that its best contribution would be to identify key concerns and to suggest several alternatives, rather than to select a single solution. (References to equalization do not necessarily imply that the task force believes all outstate land is taxed properly. That dimension was beyond the charge of this task force.)

Agricultural land near urban areas often pays a higher net tax due to local mill rates which reflect urban services. The school tax is often the greatest share of the total tax reflecting construction and expansion programs to serve new non-farm development. Rather than a fixed state contribution, regardless of location and actual tax burden, the aid formula could be devised to equalize the school tax burden on farmland.

Another approach would be for the state to set a standard net tax per acre for each class of farmland. Individual farms would be assigned tax rates higher or lower than the standard, based on the productive capability of a typical farm in the county. The net tax would be based directly on the productive capability of the land.

Rural, non-farm residences, classified agricultural, do not pay their share of the costs of government and services. It is the residence and not the open land which requires urban services. But many non-farm residences on ten or more acres qualify for agricultural classification and then avoid paying their full share of the cost of services.

The task force recommends that after suitable measures are adopted to equalize the tax

burden on long-term agricultural land, that the legislature exclude all residences, including the farmhouse, from the agricultural classification.

22. SPECIAL ASSESSMENTS FOR URBAN SERVICES SUCH AS SEWER AND WATER SHOULD BE PROHIBITED ON LAND DESIGNATED FOR LONG-TERM AGRICULTURE. DEVELOPERS SHOULD BE REQUIRED TO PAY THE ENTIRE COSTS OF EXTENDING SERVICES TO THEIR LAND.

Current special assessment practices which assign utility costs on the basis of availability foster leap-frog development and premature conversion of agricultural land. A developer knows that he can buy cheaper land farther out and then when he demands services, the intervening farmland will be assessed for a large share of the costs, thus giving him a free ride. As noted earlier, once utilities are built and assessed to the farmland, conversion is no longer a question, only a matter of time. Agricultural use cannot support the costs of sewer and water.

Faced with the requirement of paying the entire costs of extending services to their land, developers would be more likely to select land that is closer in and more appropriate for development.

23. THE GREEN ACRES LAW SHOULD BE CONTINUED AS THE PRIMARY PROTECTION FOR SHORT-TERM AGRICULTURAL AREAS. NO CHANGES SHOULD BE MADE UNTIL ALTERNATIVES ARE AVAILABLE FOR THE LONG-TERM AGRICULTURAL AREA. ONCE ALTERNATIVES ARE AVAILABLE, TWO CHANGES ARE NEEDED:

- 1) PLACE A TEN-YEAR LIMIT ON THE DEFERRAL OF SPECIAL ASSESSMENTS, SUBJECT TO ADDITIONAL WAIVER BY THE LOCAL GOVERNMENT.
 - ALL EXISTING DEFERRED SPECIAL ASSESSMENTS WOULD BECOME DUE TEN YEARS FROM THE DATE OF ENACTMENT OF SUCH AN AMENDMENT (UNLESS WAIVED BY THE LOCAL GOVERNMENT).
 - ALL SPECIAL ASSESSMENTS SUBSEQUENT TO DATE OF ENACTMENT COULD BE DEFERRED UP TO TEN YEARS FROM DATE OF ASSESSMENT (EXTENSIONS PERMITTED AT DISCRETION OF LOCAL GOVERNMENT).
- 2) INCREASE THE PRODUCTION REQUIREMENT (EXPRESSED IN DOLLARS) SO THAT THERE IS BETTER ASSURANCE THAT ONLY BONAFIDE FARMS ARE INCLUDED.
 - AN AVERAGE GROSS AGRICULTURAL INCOME FROM THE LAND FOR THE LAST THREE YEARS OF AT LEAST \$1,000, PLUS \$50 PER TILLABLE ACRE.

The Green Acres law, for all of its faults, still provides a significant protection to a large number of farmers, especially those close in to the urban area. It has, as a result, become a fixed element in the land use market and repeal in the absence of better alternatives would be unwise.

It should be emphasized that its application as suggested here would be for a much smaller area than at present. New legislation is needed for the long-term agricultural area.

After considerable study, the Agricultural Preservation Committee's taxation work group concluded that the chief problem with the Green Acres law is the indefinite deferral of special assessments which can be harmful to both the farmer and the local government. A time limit should be placed on these deferrals so that the local government can plan adequately for services while still providing the farmer with sufficient protection from premature extension of services. The qualification requirements should be tightened up to at least keep up with inflation and a measure is needed to state a legislative presumption that the land will be farmed according to a plan based on conservation management principles.

24. A NEW LEGISLATIVE ACT IS NEEDED TO PROTECT LONG-TERM AGRICULTURAL AREAS. THIS ACT SHOULD PROVIDE FOR THE CONSISTENT APPLICATION OF SPECIAL BENEFITS AND SHOULD ASSURE THAT THE LAND WHICH RECEIVES THESE BENEFITS REMAINS IN LONG-TERM PRODUCTIVE AGRICULTURAL USE. THE TASK FORCE IS PROPOSING A SPECIFIC LEGISLATIVE MEASURE WHICH IT CALLS "AGRICULTURAL PRESERVES." THIS MEASURE IS INTENDED TO SECURE THE LONG-TERM AGRICULTURAL LANDS SO THAT AGRICULTURAL INVESTMENTS AND PLANS CAN BE MADE BY FARMERS WITH CONFIDENCE, AND WITHOUT UNCERTAINTY AS TO THE FUTURE OF THE LAND.

It is suggested that creation of preserves be initiated by farmers only, and certified through a local and state review process.

Discussions have pointed to the need for providing two methods for creating agricultural preserves.

First, there is need for the uncomplicated designation of large areas comprising many farms, i.e., there should be a districting process.

Second, there is need for enabling an individual farmer with a viable farm operation — but located in an area with few farms, or scattered non-farm development — to secure the same level of protection as he would obtain through the districting process. This could be achieved through an individual contract. It is suggested that to prevent the contract method from being abused, qualification requirements should be more stringent than for a district.

The following outline suggests general provisions for an agricultural preserves act.

1. Qualification - Creation

	District	Contract
Initiation	By owners of 25% of land in proposed district	By individual owner
Minimum Size	At least 500 contiguous acres, no minimum parcel size	At least 50 acres, may be contiguous provided no parcel is less than 10 acres and all is farmed as a unit
Minimum Income	None	An average gross agricultural income from the land for the last three years of at least \$1,000 plus \$50 per tillable acre
Duration of Ownership Requirement	None	7 years, or farm is home-stead of owner

Applies to Both:

Must be in accord with comprehensive plans at time of first qualification.

State appeals board for grievances.

Specific time process and sequence for creation stated in act, including certification by the State Commissioner of Agriculture.

2. Benefits - should be attractive and reasonable.

- Special tax measures that result in an equalized tax burden between land in a preserve and similar farmland outstate, removed from urban influences.
- Prohibition of special assessment for sanitary sewer, water.
- Protection for normal farm practices (exempt from certain local regulations, and modifications of certain state regulations).
- All eminent domain actions must demonstrate that no prudent alternative exists.
- State agencies directed to be supportive.
- Family Farm Security Act program directed to give priority to preserves.

3. Responsibilities - items of general public interest.

Adherence to prudent soil and water conservation practices. (Process for bringing legal action if there is an alleged violation. See Recommendation Number 25.)

4. Limitations - to assure that uses remain agricultural.

- No non-farm residential development.
- No commercial or industrial uses.
- Only those uses normally associated with farming in the area.
- State review board or local appeals board to decide if there are differences of opinion.

5. Perpetuation & Expiration

- Ten-year perpetual duration whereby each year adds one year until either a landowner or the local government request expiration. Request for expiration must state which parcels are proposed for expiration. Expiration would occur ten years from the date of request.
- In the event a landowner objects to expiration, grievance can be brought before appeals board which has authority to continue participation if in the public interest.
- All deeds marked as to designation, limitations and duration.

6. Early Termination

An over-riding public interest may necessitate early termination for certain parcels within a preserve. In addition, events not discernible at the time of preserve creation may require use of certain parcels for a legitimate non-farm use prior to the normal ten-year expiration, but in the public interest.

- In the event of an over-riding public need, early termination achieved upon resolution of local governing body, comment by the regional agency and the appeals board, and approval by the State Commissioner of Agriculture.
- For a private purpose, early termination achieved upon request of owner, review of regional agency, and approval of local governing body, the appeals board, and State Commissioner of Agriculture. If approved, a penalty (of difference in tax plus interest, compounded) for early termination unless waived by local governing body and approved by Commissioner.

25. ANY LEGISLATION WHICH PROVIDES SPECIAL BENEFITS TO AGRICULTURAL LAND (INCLUDING GREEN ACRES) SHOULD CONTAIN A REQUIREMENT THAT THE LAND BE FARMED ACCORDING TO SOUND CONSERVATION MANAGEMENT PRINCIPLES.

When the ultimate use of land is uncertain, owners sometimes neglect conservation practices, and valuable land resources are wasted. The task force believes that any legislation which provides benefits should include a presumption that the land is to be farmed according to good conservation practices. Rather than having a complicated process for requiring conservation plans and certification, the task force suggests a provision requiring the county to seek corrective measures upon receiving a written complaint and after consulting with the County Agricultural Extension Board and the County Soil and Water Conservation District.

26. AN EXISTING STATE AGENCY SHOULD BE DIRECTED TO ESTABLISH A MONITORING PROGRAM TO MAINTAIN INFORMATION ON GREEN ACRES, AGRICULTURAL PRESERVES, AND OTHER RELATED MEASURES.

One of the major problems with Green Acres has been the absence of reliable and consistent data on its use. The need for such information will be even more important if additional measures are adopted.

The monitoring program should be devised so that the effectiveness of the new measures can be evaluated by the legislature and changes made if needed. If the programs are shown to be ineffective, they should be abolished.

27. NEW AGRICULTURAL PRESERVATION LEGISLATION SHOULD INCLUDE A SPECIFIC PROVISION FOR AN EXTENSIVE EDUCATIONAL EFFORT TO INFORM THE PUBLIC, ESPECIALLY FARMERS, OF THE PURPOSE OF THE ACT, HOW IT WILL BENEFIT THEM, AND HOW IT WORKS.

Much of the success of the Wisconsin and New York agricultural preservation laws is due to the careful educational process which preceded the implementation of the acts.

THE GENERAL RURAL USE REGION

Perspective

A recent Gallup Poll revealed that nationwide 40 percent of the public today would like to move to a rural environment. Over 50 percent of the 18- to 34-year age bracket in central cities have this desire, and the number drops to below 40 percent only for the 50-and-over age bracket. The suburbs provide little better attraction. There, a full 46 percent of the 18- to 34-year age bracket desire to move and 30 percent of the 35- to 49-year age group. Only 16 percent of those in the central cities say they would like to move to the suburbs.

The Gallup commentary notes that the strongest desire (as many as six in ten) is to live in communities with less than 10,000 population. When asked to describe what they desire, the description is clearly the public notion of rural areas: a lack of crime, no crowding, no traffic congestion or pollution; also, clean, attractive, well-maintained housing, and friendly people.

Between 1970 and 1977 the population in the rural area increased some 38 percent, while the overall metropolitan population increased only about five percent. An attitudinal survey conducted by the Metropolitan Council in 1974 corresponds closely with the results of the Gallup Poll. In this survey 41 percent of the respondents indicated a desire for a single-family home on rural acreage. (See appendix for additional discussion of population trends.)

The task force was concerned with this fact of latent public demand for a so-called "rural life-style," and the additional fact that not all of the rural area is agricultural. Fully 25 percent of the rural area, mostly in the northern portion of the Metropolitan Area, is marginal or otherwise impractical for agricultural use. Additionally, much of this land is scenic and highly attractive to that percentage of the public which thinks that it desires a rural life-style.

The task force, in this portion of its study, focused its attention on the General Rural Use Region as defined by the Metropolitan Development Framework. Much of the non-agricultural rural land is located in this region. Over 90,000 people already live there and enjoy, to some degree, a rural style of life.

The objective of the task force was to define and better understand the development taking place today in the General Rural Use Region, and to make recommendations which will help avoid the waste of urban sprawl. The task force believes that the "rural life-style" is a viable alternative for many people in the Metropolitan Area, but a better understanding is needed by the potential inhabitants as well as those who administer the area, and especially much more effective management is needed on the part of local governments.

Finally, there is substance for thought here for the central cities and suburbs. Clearly, the public is not finding all it desires in those environments today. Yet, much of what the public thinks that it is buying in the rural area has little to do with "rural life-style" and could be provided within the Urban Service Area by following better urban design principles and providing services more efficiently. Surely less crime, noise and pollution, and more friendly neighbors are all within the grasp of most communities in the Metropolitan Area.

A Region of Diversity

The General Rural Use Region is a highly varied and complex area. It is not the quiet and continuous open space which many urban residents seem to believe. Nor is it the same collection of diverse elements from one township to the next, which many rural residents seem to believe. The extent of diversity was surprising even to task force members. Early discussions were stalemated until members recognized that what was typical for one was

atypical for another.

From level, uninterrupted sandplains to rugged, complex hills, the basic geophysical condition is highly varied. These conditions can have immense impact on land use and the attitude of the public toward future development.

In some areas the region is a relatively narrow strip separating commercial agriculture from full urbanization; in other areas, the region is extensive, covering several townships and extending into adjoining counties.

Standard land use classifications fail to show the diversity of activities already present in many parts of the region. Included are a wide assortment of recreational facilities, small or "cottage" industries, institutional sites, junk yards, dog kennels, and so forth. In addition, there are often remnants of a former agricultural economy. Rural residences make up the balance.

The collection of land uses changes markedly from one community to the next. One may be predominantly residential with residents mostly working in the Urban Service Area, while the next may have a highly localized and diverse economy with minor orientation to the Urban Service Area.

The farm operations which remain are often highly specialized, like the peatland farms in Anoka County or the orchards in Washington County. In some cases, the commercial farms are thriving operations, but for the most part the land is marginal. The change from an agricultural area, however productive, to this mixture of general rural uses has left many remaining farmers unsympathetic to continuing agricultural use. If the feed mill, grain elevator, equipment dealer, creamery, and so forth, have all moved out, it is very difficult to perpetuate the farm use. Where viable commercial farms remain, the area probably should not be considered as a General Rural Use Region, but rather as a Commercial Agriculture Region. This distinction should be determined at the local level.

Some portions of the General Rural Use Region have intense urban pressure due to highway proximity, employment, and so forth, while others may not.

Communities entertain a wide range of expectations for the future of their areas in terms of life-style and general development.

Finally, government sophistication is highly varied as well. When the town board only needed to meet four times a year, there was little call for sophisticated procedures and personnel. But today, demands are much greater and local governments have responded in different ways. Some have acquired a high level of organizational capability while others have not. Most are still facing the issue.

The Rural Life-Style

Notwithstanding all of the diversity described above, there is surprising agreement that a certain living condition prevails in this region: the task force called it the "rural life-style."

Task force discussions, reflecting the diversity of the region as described above, showed that a wide variety of combinations all produce what is generally called rural life-style. There are, however, basic characteristics and these are identified as follows:

a. Distance from commercial services and conveniences

A principle of the rural life-style area is that commercial conveniences are not on every corner, but instead located in the rural centers or the urban area; this is not suburbia. The area, therefore, is separate from rural centers or business centers that may be adjacent to major highways.

b. No central sewer or water systems

When central sewer or water is extended into a rural area, that area is becoming something different with great potential for higher densities and more intense land uses. But without these facilities, many urban residential, commercial and industrial activities are precluded and appropriate general rural residential use is more predominant.

c. Avoidance of disproportionate service demands

Acceptable land uses are those which would not place an excessive burden on other uses due to service demands. Uses which do require extraordinary services should be located only in "special service area" districts. It must be recognized that these districts are gradually departing from the rural life-style.

d. Individual responsibility

The low densities, coupled with a relatively low level of public services which are characteristic of this area, place a higher proportion of responsibility on the individual. Examples range from keeping one's dog away from farm animals to taking additional safety precautions since emergency medical services are not as readily available as they are in the urban area. Neighbors must be prepared to provide some types of assistance in the absence of nearby service professionals.

e. Low density

The rural life-style is characterized by low density residential development with a high proportion of non-commercial or "hobby" farms, all interspersed with large amounts of open space. Contrary to the public image, many of the hobby farms are

productive business units; included are nursery orchards, poultry and egg operations, beef feeding, dairy goat farms, horse breeding and training, dog kennels, beekeeping, truck farming and recreational sites. In many cases, land is equally essential as a buffer or insulator between uses as a necessary component for the particular use. Examples would include dog kennels and feed lots.

f. New uses subordinate to existing uses

Allowable land uses may produce noises or odors that seem objectionable to city dwellers. These characteristics are typical in rural areas and are part of the rural life-style. Local comprehensive plans should contain text and policies in support of the rural life-style and should state the desire of the local government to support the existing land use when complaints arise from new residents.

Rural Life-Style — Suitability of Land Uses

Service requirements and implications are a primary concern in the General Rural Use Region. Certain land uses have serious service implications while others do not. The task force has prepared a list of uses to identify their general suitability for the region. Many of these uses require land as an insulator rather than as a basic requirement for the activity. Those which are suitable contribute to the rural life-style, while those with greater service demands mark a change in the area, a departure from the rural life-style and a step towards eventual urbanization. The task force presents the list as a guide for rural communities and the Metropolitan Council; obviously, there will be exceptions.

I. Generally Suitable Land Uses

- A. Commercial agriculture, including grains, feed lots, dairy, etc.
- B. Hobby and marginal farms
- C. Cemeteries
- D. Essential services (electrical, etc.)
- E. Farm equipment sales (occasional on-farm)
- F. Forestry
- G. Greenhouses, nurseries
- H. Nature centers, wildlife preserves
- I. Parks, trails (passive)

- J. Private garages, farm buildings
- K. Home occupations, crafts
- L. Incidental repair
- M. Residential — single-family detached — low density
- N. Temporary farm dwelling
- II. Conditional — limited service implications
 - A. Antennae — tall
 - B. Seasonal business, roadside sales' stands
 - C. Mining (sand and gravel, borrow pits)
 - D. Junk yard
- III. Conditional — severe service implications

These are uses which are generally found in rural areas, but which have heavy service implications for the local government, including traffic problems, sewage disposal, street parking, noise, dust, road widening and maintenance, policing, landscape alterations, health service needs, and so forth.

- A. Recreation
 - 1. Campgrounds
 - 2. Recreational vehicle park
 - 3. Commercial recreation
 - 4. Golf courses
 - 5. Country clubs
 - 6. Gun clubs
 - 7. Gun and archery ranges
 - 8. Race tracks
 - 9. Resorts
 - 10. Riding stables
 - 11. Drive-in theater
 - 12. Horse judging
 - 13. Commercial animal training, animal boarding kennels, veterinary clinics
 - 14. Festivals and fairs
 - 15. Model airplane sites

B. Airports

C. Churches

IV. Not Suitable

These are uses which are not compatible with the rural life-style, have severe service implications and are usually most appropriate in rural centers and sewered areas where traffic control and other services can be provided in an efficient manner.

A. Armories, convention halls

B. Apartment or multiple-family buildings, mobile home parks

C. Auto service, repair (although suitable as part of highway service zone)

D. Care facilities (elderly and invalids)

E. Business, office buildings

F. Retail sales (full-time establishments)

G. Funeral homes

H. Hotels or motels (although suitable as part of highway service zone)

I. Manufacturing, industrial

J. Schools

K. Taverns and bars

L. Warehousing

M. Platted subdivisions of high density, large-scale residential development requiring local improvements

28. THE METROPOLITAN COUNCIL SHOULD ACCEPT "RURAL LIFE-STYLE" AS A LEGITIMATE LAND USE FOR CERTAIN PORTIONS OF THE GENERAL RURAL USE REGION. HOWEVER, IT IS LEGITIMATE ONLY IN CERTAIN AREAS AND WITH CERTAIN PRECAUTIONS, PROTECTIONS, AND LIMITATIONS AS DESCRIBED BELOW. (THESE CRITERIA ARE PRESENTED AS GUIDELINES. IT IS THE RESPONSIBILITY OF THE LOCAL GOVERNMENT TO MAKE SUITABLE ANALYSIS AND EXPLANATION FOR THE LOCAL APPLICATION OF THESE CRITERIA.)

- PRODUCTIVE FARMLANDS – LANDS WHICH HAVE A REASONABLE POTENTIAL FOR REMAINING IN PRODUCTIVE AGRICULTURAL USE SHOULD BE EXCLUDED. SUCH LANDS SHOULD BE AFFORDED SPECIAL PROTECTIVE MEASURES AS DESCRIBED IN THE SECTION ON AGRICULTURAL PRESERVATION.
- CONSERVATION LANDS – LANDS WHICH CONTAIN WETLANDS, FLOODPLAINS, UNIQUE HABITAT, STEEP SLOPES, OR OTHER SENSITIVE ENVIRONMENTAL CONDITIONS SHOULD BE EXCLUDED. THESE LANDS SHOULD ALSO BE AFFORDED SPECIAL PROTECTION AS DESCRIBED IN RECOMMENDATION NUMBER 51.
- UNSUITABLE SOILS – LANDS WHICH HAVE SERIOUS CONSTRAINTS FOR BUILDING, SUCH AS HIGH SEASONAL OR PERMANENT WATER TABLE, INSTABILITY, OR SEVERE SHRINK AND SWELL PROBLEMS, SHOULD BE EXCLUDED. THESE ARE SIMPLY POOR LANDS AND RESTRICTIONS ARE AS MUCH FOR PROTECTING UNWARY OWNERS AS THE PUBLIC IN GENERAL. NO COMPENSATION SHOULD BE OFFERED. SUCH LANDS (ALONG WITH CONSERVATION LANDS) COULD, HOWEVER, BE COUNTED IN THE LOT SIZE REQUIREMENT.

28A. LANDS WHICH REMAIN HAVE A POTENTIAL FOR RURAL LIFE-STYLE DEVELOPMENT PROVIDED THE FOLLOWING CRITERIA ARE MET:

- NO CENTRAL SEWER OR WATER – AS MENTIONED PREVIOUSLY, WHEN THESE SERVICES ARE PROVIDED, THE AREA IS NO LONGER RURAL.
- NO COMMERCIAL SERVICES, CONVENIENCES, OR INDUSTRIAL DEVELOPMENT – A PRINCIPLE OF THE RURAL LIFE-STYLE IS THAT SUCH FACILITIES ARE LOCATED *IN THE RURAL CENTERS*, NOT ON EVERY CORNER OF THE RURAL AREA. THESE FACILITIES HAVE SEVERE SERVICE REQUIREMENTS WHICH ARE INCONSISTENT WITH THE REGIONAL SERVICE PLAN AND THE ABILITY OF LOCAL GOVERNMENT TO PROVIDE THEM.
- NEW USES SUBORDINATE TO EXISTING USES – AS DESCRIBED IN A PREVIOUS SECTION, NEW RURAL RESIDENTS MUST BE AWARE OF AND TOLERATE EXISTING LAND USES. IF POTENTIAL RESIDENTS CANNOT STAND MANURE SPREADING, ANIMAL AND FARM EQUIPMENT NOISES, OR OTHER LEGITIMATE RURAL USES, THEY SHOULD NOT LOCATE IN THE RURAL AREA.
- STRONG SEPTIC TANK REGULATIONS – SEPTIC SYSTEMS MUST BE ABLE TO FUNCTION INDEFINITELY. THIS REQUIRES STRONG LOCAL REGULATIONS FOR THE SITING, INSTALLATION AND MANAGEMENT OF THE

SYSTEMS SO THAT COSTLY AND DISRUPTIVE CORRECTIONS ARE NOT NEEDED.

- LOW DENSITIES – REGARDLESS OF TECHNICAL FACTORS, SMALL LOTS AND HIGH DENSITIES ARE, BY DEFINITION, NOT RURAL LIFE-STYLE. EVEN IF THE SEPTIC TANK CAN BE GUARANTEED TO FUNCTION PROPERLY, HIGH DENSITIES RESULT IN ADDITIONAL LOCAL AND REGIONAL SERVICE DEMANDS WHICH INEVITABLY RESULT IN MISPLACED SUBURBAN DEVELOPMENT AND THE DESTRUCTION OF THE AMENITIES WHICH WERE SOUGHT BY RESIDENTS IN THE FIRST PLACE. THE ACTUAL LOT SIZE OR DENSITY DEPENDS ON LOCAL CIRCUMSTANCES. (SEE RECOMMENDATIONS 43 AND 44.)
- IN PORTIONS OF THE GENERAL RURAL USE REGION WHICH ARE NOT SCHEDULED FOR EXTENSION OF URBAN SERVICES IN THE FORESEEABLE FUTURE AND WHICH COMPLY WITH THE CRITERIA SET FORTH ABOVE, THE RURAL LIFE-STYLE SHOULD BE CONSIDERED AN *ULTIMATE* LAND USE. REGIONAL, COUNTY, STATE AND LOCAL PLANS AND PROGRAMS SHOULD CORRESPOND WITH AND SUPPORT THIS PLANNING DECISION.
- IT IS IMPERATIVE THAT EACH LOCAL GOVERNMENT FULLY DOCUMENT IN THE COMPREHENSIVE PLAN ITS OWN UNIQUE CIRCUMSTANCES AS REVEALED BY APPLYING THE FOREGOING CRITERIA. THESE WILL HAVE ENORMOUS BEARING ON THE VALIDITY OF THE PLAN DECISIONS.
- IT IS ALSO IMPERATIVE THAT THE METROPOLITAN COUNCIL GIVE FULL CONSIDERATION TO THESE INDIVIDUAL VARIATIONS WHEN THE LOCAL PLAN IS REVIEWED. THE COUNCIL SHOULD BE PREPARED TO ACCEPT RURAL LIFE-STYLE AREAS AS LEGITIMATE AND ULTIMATE LAND USES IF FULLY AND REALISTICALLY SUPPORTED BY THE LOCAL PLAN IN A WAY APPROPRIATE TO A RURAL COMMUNITY.

RURAL CENTERS

Facing Reality

Rural Centers first evolved in response to the service needs of the surrounding agricultural community. They also provided social control and identity through the local government structure, transfer of values through family, church, school and society in general, and mutual support through reliance on neighbor and friend.

In the history of Minnesota settlement, cultural groups, railroads and agriculture are highlighted in most accounts as the driving forces. But it was the Rural Center where all of

these forces came together and became the real heart of early Minnesota civilization. The Rural Center soon acquired additional substance as a cultural center and way of life and it is this substance which continues to keep most of them alive today.

A number of factors have long since combined to diminish the former economic dependence of the surrounding countryside on Rural Centers. Agriculture has become much more capital intensive than labor intensive and has acquired sophisticated service needs. As a result, there has been a shift from many small agricultural service providers located in the Rural Centers to a few large dealers and services in central locations.

Farms have become larger and fewer in number. Consequently, the size of the farm population has declined, resulting in a reduced market for Rural Centers. At the same time farm and rural populations have increasingly looked to the central cities and suburbs for their needs, rather than the Rural Centers.

As a result of land speculation and an urban-to-rural emigration, a lot of land that was formerly used for agricultural purposes is now being used by rural life-style residents. While there is a prevailing view that rural living is more desirable, new rural residents generally retain their urban orientation and look to the urban area for their employment, retail and other needs.

Simultaneously, demands for local public services (fire and police protection, sewer, water, road maintenance, recreation facilities) have increased, posing serious fiscal burdens and dilemmas for Rural Centers.

The major challenge for most Rural Centers in the Metropolitan Area is to face their own reality. The changes cited above are general and affect specific Rural Centers in different ways. But the obvious need for all of them is to assess their own circumstances and prospects for the future, and to take deliberate steps to secure community goals. The staying power of most Rural Centers through the years tends to make residents apathetic to such suggestions. And, indeed, most will continue, through sheer momentum if nothing else. But the pressures are real and the question for Rural Centers is whether they will control their own destinies or be controlled by others.

Taking Control

Rural Centers vary in size, population and land use composition, market for their services, pressures and competition from other Rural Centers and Freestanding Growth Centers and the urban area, and local government administrative and fiscal capability and goals for the future. Therefore, there are variations in their problems and solutions.

29. EACH RURAL CENTER PLAN MUST BE BASED ON AN ACCURATE ASSESSMENT OF THE COMMUNITY'S UNIQUE SET OF CIRCUMSTANCES IF IT IS TO RESULT IN A WORKABLE STRATEGY FOR FUTURE GROWTH AND DEVELOPMENT. EACH LOCAL PLANNING PROCESS MUST FIRST ESTABLISH AT

A MINIMUM:

- THE CHARACTER OF ITS RESIDENTIAL BASE (POPULATION AND HOUSEHOLD AGE, INCOME, EMPLOYMENT, TRENDS).
- THE CHARACTER OF ITS ECONOMIC BASE (SERVICE, COMMERCIAL AND INDUSTRIAL DEVELOPMENT; ITS MARKET, ITS CONTRIBUTION TO THE COMMUNITY; ITS SERVICE REQUIREMENTS).
- THE TYPE AND EXTENT AND ADEQUACY OF LOCAL SERVICES (FIRE, POLICE, SEWER, WATER AND RELATED COSTS).
- COMPETITION FOR FUTURE GROWTH AND NEEDED RESOURCES FROM OTHER COMMUNITIES AND SECTORS.
- UNIQUE ASSETS OR ATTRIBUTES OF THE COMMUNITY (e.g., STRONG AGRICULTURAL MARKET, HISTORIC OR ETHNIC SIGNIFICANCE).
- PHYSICAL/ENVIRONMENTAL CONSTRAINTS.
- COMMUNITY GOALS AND VIEWS FOR THE FUTURE.

The Rural Center planning process need not be designed for growth and expansion. Indeed, not all Rural Centers desire growth and for many centers there are strong factors which would inhibit significant growth. Whether a community chooses to remain at its present level of development or to expand, securing its existing residential, economic and service base is of foremost importance.

30. RURAL CENTER PLANS AND IMPLEMENTATION PROGRAMS SHOULD FIRST CONSIDER MEANS TO MAINTAIN EXISTING DEVELOPMENT, ASSURE ADEQUATE SERVICES TO THE EXISTING BASE WITHIN THE ABILITY TO PAY FOR THEM, AND IF NECESSARY, ESTABLISH PROGRAMS FOR REVITALIZING ITS OLDER AREAS.
31. A STRATEGY FOR FUTURE GROWTH MUST INCLUDE A REASONABLE ASSESSMENT OF ANTICIPATED GROWTH BASED ON OVERALL REGIONAL GROWTH PROJECTIONS, AND COMPETITION FOR THAT GROWTH AND RESOURCES TO SUPPORT IT FROM OTHER RURAL CENTERS, FREESTANDING GROWTH CENTERS AND THE URBAN AREA.
32. RURAL CENTER PLANS MUST ASSURE AN ADEQUATE LEVEL OF SERVICES FOR ANTICIPATED NEW GROWTH (REALIZING THAT METROPOLITAN SERVICES WILL NOT BE AVAILABLE).
33. "GROWTH" FOR MOST RURAL CENTERS IS USUALLY OF A MUCH SMALLER

SCALE THAN THAT FOR SUBURBAN COMMUNITIES. THIS DIFFERENCE IN SCALE SHOULD BE RECOGNIZED BY THE METROPOLITAN COUNCIL IN REVIEW OF RURAL CENTER PLANS AND PROJECTS.

Rural Centers should acknowledge that factors such as existing trends in agriculture, energy availability, population migration and other outside pressures which affect their future may change.

34. RURAL CENTER PLANNING SHOULD BE FLEXIBLE AND UNDERGO PERIODIC REASSESSMENT IF IT IS TO BE OF VALUE TO THE COMMUNITY. WHEN A COMMUNITY MUST RELY HEAVILY ON VARIABLE FACTORS (SUCH AS ONE BIG EMPLOYER) IN ITS PLANNING, CONTINGENCY PLANS SHOULD BE PREPARED TO MAINTAIN THE COMMUNITY'S VIABILITY IN THE FACE OF CHANGE.

Minnesota's energy future is, at best, uncertain. Projected shortages could dramatically affect its energy dependent style of life and economy. This can pose particular problems for low-income and elderly persons, and high consumption commercial and industrial development in Rural Centers and other sectors of the state.

Energy considerations are being given an increasing weight in decision-making processes of the general public as well as business and industry. Rural Centers desiring to attract new development will likely benefit from an active energy awareness.

35. POTENTIAL ENERGY SCARCITY AND INCREASED COST SHOULD BE A RECOGNIZED FACTOR IN RURAL CENTER DECISION-MAKING. STEPS A RURAL CENTER MAY CONSIDER ARE:

- ESTABLISHMENT OF A LOCAL ENERGY COMMITTEE TO ADVISE ON ENERGY-RELATED ISSUES.
- ESTABLISHMENT OF PUBLIC EDUCATION PROGRAMS ON INDIVIDUAL CONSERVATION MEASURES.
- ESTABLISHMENT OF CONSERVATION MEASURES IN LOCAL SERVICE PROVISION.
- ADOPTION OF LOCAL CODES AND ORDINANCES (e.g., SIGN AND LIGHTING ORDINANCES, SITE DESIGN REQUIREMENTS) THAT REFLECT CONSERVATION EFFORTS.
- LOCAL RECEPTIVITY TO USE OF ALTERNATIVE ENERGY SOURCES AND TECHNOLOGIES IN RESIDENTIAL, COMMERCIAL, INDUSTRIAL AND AGRICULTURAL DEVELOPMENT.

Measures such as these can be implemented easily and simply. But together, they illustrate very clearly to a potential commercial or industrial developer that the city is committed to wise and economical administration of its affairs.

The support of local banks for Rural Center planning programs is necessary. The task force urges Rural Centers to seek out and maintain local bank involvement in community affairs.

36. THE METROPOLITAN COUNCIL SHOULD REVIEW RURAL CENTER PLANS WITH A SENSITIVITY TO RURAL CONDITIONS. DEPARTURE FROM METROPOLITAN COUNCIL FORECASTS SHOULD BE REVIEWED IN LIGHT OF LOCAL PLAN FACTORS AND INFORMATION.

The task force believes that apparent disagreements between Rural Centers and the Metropolitan Council often arise from a misunderstanding of rural conditions on the part of the Metropolitan Council, and a failure to prepare adequate studies and documentation of the local situation by the Rural Centers. By following the suggestions contained in this report, a Rural Center should be able to realistically defend its planning goals, and the Metropolitan Council should be more sensitive to rural conditions, and better equipped to make decisions that apply to Rural Centers.

"Shrinking" tax bases, increasing numbers of tax exempt properties (e.g., schools, churches, parks) and the continued scattering of non-farm development outside of Rural Center boundaries that require services by the Center have created some fiscal burdens for Rural Centers. Additional measures are needed to bolster Rural Center development, and existing programs need to be realigned so that they directly support Rural Centers.

37. THE LEGISLATURE SHOULD TAKE STEPS TO ASSURE ADEQUATE COMPENSATION TO COMMUNITIES THAT MUST SERVE AND SUPPORT TAX EXEMPT PROPERTIES WITHIN THEIR BOUNDARIES.

INCLUDED IN THIS STUDY AND ACTION SHOULD BE EXAMINATION OF MEANS BY WHICH NON-LOCAL PUBLIC BODIES WHICH OWN TAX EXEMPT PROPERTIES CAN THEMSELVES PROVIDE NEEDED SERVICES.

38. COMMUNITIES ON THE PERIPHERY OF RURAL CENTERS SHOULD BE AWARE OF THE LIMITATIONS OF RURAL CENTER SERVICE PROVISION TO THEIR DEVELOPMENT, AND SHOULD COORDINATE THEIR DEVELOPMENT PLANS WITH THOSE OF THE RURAL CENTERS THROUGHOUT THE PLANNING PROCESS. RURAL CENTERS SHOULD COORDINATE THEIR PLANNING AND PROGRAMS WITH ADJACENT COMMUNITIES. MEASURES WHICH ACCURATELY ALLOCATE THE COSTS OF SUCH SERVICE PROVISIONS TO BENEFICIARIES OUTSIDE THE RURAL CENTER SHOULD BE INITIATED WHERE LACKING AND UPDATED PERIODICALLY TO REFLECT ACTUAL SERVICE COSTS. SALE OF SERVICES TO ADJOINING COMMUNITIES SHOULD BE ADEQUATELY COMPENSATED.

Area-Wide Recommendations

EDUCATION FOR THE POTENTIAL RURAL RESIDENT

Some of the pressure for services in the rural area may be mis-assigned. Often it is thought that rural residents are the source of pressure for additional rural services. The task force suggests that a large part of this pressure actually comes from professional providers of rural services — for instance, engineers, attorneys and public safety specialists — who are thinking about their professional esteem and additional business.

Generally, though, a serious misconception of anticipated services is held by many of the people who move out to the rural area from the city. Coming from an area where most services are taken for granted, the absence, or in most cases, the reduced level of services is a rude awakening. In addition, greater responsibility is placed on the individual for looking after his/her own affairs. Such matters as septic tank inspection and maintenance, well repair and maintenance, grass fires, and so forth, require a commitment of time and preparation on the part of the resident for emergencies.

39. THERE IS A NEED FOR AN EDUCATIONAL PROGRAM IN RURAL COMMUNITIES THAT WILL 1) ALERT NEW RESIDENTS AND OTHERS INVOLVED TO IMPORTANT SERVICE ISSUES, AND 2) CLEARLY DESCRIBE THE RESPONSIBILITY OF THE NEW RESIDENT TO SELF AND NEIGHBOR. THE TASK FORCE PLACES GREAT IMPORTANCE ON THIS NEED. ONE ALTERNATIVE IS FOR A LOCAL UNIT OF GOVERNMENT TO ADOPT A WAITING PERIOD FOR BUILDING PERMITS AND RESOLD HOMES, TO ASSURE FULL OPPORTUNITY TO APPRISE POTENTIAL RESIDENTS OF THESE MATTERS. IT IS ALSO SUGGESTED THAT A STATE AGENCY OR PERHAPS THE AGRICULTURAL EXTENSION SERVICE PUBLISH A BROCHURE WHICH LISTS THE SEVERAL MATTERS THAT NEW RESIDENTS SHOULD BE AWARE OF AND THEIR RESPONSIBILITIES.

LAND CONVEYANCE: REACHING THE POTENTIAL BUYER

Members of the task force shared many experiences which they had as public officials in the General Rural Use Region. Although these experiences were often comical in retrospect, they also had quite significant effects on the development of the community. A common problem in most of these cases was the process of land conveyance and the inability of the local government to reach the buyer ahead of time to apprise him of important regulations or other factors which seriously affect the potential use of the land. Contact with the local government is always "after the fact," that is, after the ownership has been transferred. It is then frequently forced into the position of accommodating developments which are inappropriate or contrary to community plans. The state metes and bounds law, which excludes parcels over five acres in size from subdivision regulations, was most frequently cited as a source of trouble for local governments.

After attempting to prepare a specific solution for this problem the task force determined that its best contribution would be a general recommendation on the subject. Groups which are more qualified to address the specifics should be urged to prepare detailed legislative recommendations. The task force hopes that new legislative measures will emphasize the moral responsibility of the seller to honestly represent the potential of the land.

40. LEGISLATION IS NEEDED TO PROVIDE A TIMELY WARNING TO THE LAND BUYER ABOUT APPLICABLE LAND-USE REGULATIONS BEFORE THE SALE IS CLOSED OR TITLE TRANSFERRED. A STATEMENT IS SUGGESTED ON A STANDARD OWNERSHIP TRANSFER INSTRUMENT WHEREBY THE BUYER AND SELLER ACKNOWLEDGE THE AWARENESS OF APPLICABLE LAND-USE REGULATIONS.
41. PLANNING AND ZONING LAW WHICH PRESENTLY PERMITS THE USE OF METES AND BOUNDS FOR CONVEYANCE OF LAND PARCELS OVER FIVE ACRES IN SIZE SHOULD BE AMENDED SO THAT THE LOCAL UNIT OF GOVERNMENT SETS THE MINIMUM ACREAGE FOR THE USE OF THIS LAND CONVEYANCE METHOD. PARCELS UNDER THE MINIMUM WOULD THEN BE SUBJECT TO THE LOCAL SUBDIVISION REGULATIONS.

RURAL SERVICES HANDBOOK

As indicated in several parts above, service implications were a recurring theme in task force discussions. Local governments need to be better aware of the impact of development increments on the present services, and the approximate thresholds for new or expanded services. The task force did not have sufficient time nor expertise to develop a guide or handbook on service thresholds, but it strongly believes that something on this order is needed, especially for the General Rural Use Region.

42. THE METROPOLITAN COUNCIL SHOULD PREPARE A RURAL SERVICES HANDBOOK WHICH IDENTIFIES 1) THE SERVICES IN A RURAL AREA, 2) THE MAJOR FACTORS INVOLVED IN THE CHOICE TO PROVIDE THESE SERVICES, 3) LEVELS OF SERVICE THAT CAN BE PROVIDED, AND 4) SERVICE COST IMPLICATIONS.
 - TO PREPARE THIS HANDBOOK, THE METROPOLITAN COUNCIL SHOULD CONVENE SPECIAL COMMITTEES OF QUALIFIED TECHNICIANS AND KNOWLEDGEABLE CITIZENS TO DEVELOP PARAMETERS, INDICATORS AND OTHER FACTORS WHICH CAN PROVIDE GUIDANCE ON THESE MATTERS.
 - LOCAL GOVERNMENTS SHOULD ESTABLISH WHAT LEVELS OF SERVICES ARE IMPLIED IN THEIR COMPREHENSIVE PLANS, AND FURTHERMORE, ESTABLISH SOME MECHANISM TO ASSURE THAT ADEQUATE PUBLIC ATTENTION BE GIVEN TO ALL SUBSEQUENT SERVICE LEVEL CHANGES.

LOT SIZE AND DENSITY STANDARDS

The task force spent much time debating appropriate densities and lot sizes for the General Rural Use Region. After much difficulty it became obvious that such discussions are really meaningless until each community has made a realistic appraisal of its present state, and established sound goals for its future. Only with these steps, performed in a planning process, can intelligent and workable decisions be made.

43. THE METROPOLITAN COUNCIL STANDARDS FOR LOT SIZES OR DENSITIES IN THE RURAL AREA SHOULD BE STATED IN RELATIONSHIP TO CERTAIN PLANNING GOALS THAT MAY BE SELECTED BY A RURAL COMMUNITY, AND APPLICABLE TECHNICAL FACTORS.
44. LOT SIZES AND DENSITIES SELECTED BY LOCAL GOVERNMENTS SHOULD BE BASED ON LOCAL PHYSICAL CONDITIONS, TECHNICAL FACTORS, COMMUNITY GOALS, APPLICABLE STATE REGULATIONS, THE RELATIONSHIP TO NEIGHBORING COMMUNITIES, AND A REASONABLE ASSESSMENT OF ANTICIPATED GROWTH BASED ON OVERALL REGIONAL GROWTH PROJECTIONS, AND COMPETITION FOR THAT GROWTH AND RESOURCES TO SUPPORT IT FROM RURAL CENTERS, FREESTANDING GROWTH CENTERS, AND THE URBAN AREA. IT IS THE LOCAL GOVERNMENT'S RESPONSIBILITY TO PRESENT IN THE COMPREHENSIVE PLAN THE RATIONALE FOR ITS ADOPTED LOT SIZE STANDARDS AND DENSITIES.

Many rural communities contain some uses which would probably be rejected if proposed today. These are uses which may generate heavy traffic or place excessive demand on local services. In the planning process, the community should give careful thought to the long-term effect of such uses on the area — whether they should be expanded, increased in number, or rather gradually phased out.

HIGH DENSITY LAND USES

High density uses, especially mobile home parks, pose a serious threat to the General Rural Use Region and are a very sensitive issue. Once a rural community has completed its comprehensive planning process and has decided to remain as a rural farming low-density community, in accordance with the Development Framework, mobile home parks are then inappropriate because of their high density and service requirements. But legal precedents based on exclusionary zoning issues have given mobile home park developers a strong advantage in forcing these facilities on rural communities. The task force feels strongly that the Metropolitan Council should address this issue, and actions should be taken by appropriate levels of government so that mobile homes remain a viable housing alternative, but do not jeopardize the Development Framework. This position applies to any high

density use in the rural area.

45. THE TASK FORCE BELIEVES THAT MOBILE HOME PARKS ARE INCOMPATIBLE WITH COMMERCIAL AGRICULTURE AND GENERAL RURAL USE REGIONS. THEY SHOULD ONLY BE LOCATED IN AREAS WHERE APPROPRIATE MUNICIPAL SERVICES ARE AVAILABLE.
46. THE METROPOLITAN COUNCIL SHOULD STUDY THE IMPACT OF MOBILE HOMES ON RURAL AREAS AND THE REGION IN GENERAL. SPECIAL EMPHASIS SHOULD BE PLACED ON SEWER AND FISCAL IMPACTS ON THE AFFECTED LOCAL GOVERNMENTS.
47. THE HOUSING ELEMENT OF THE METROPOLITAN DEVELOPMENT GUIDE SHOULD ADDRESS MOBILE HOME PARK USAGE AND LOCATION IN THE RURAL AREA.
48. THE METROPOLITAN COUNCIL, AFTER STUDIES SUGGESTED ABOVE, SHOULD SEEK SPECIAL LEGISLATION WHICH REQUIRES THAT NEW MOBILE HOME PARKS AND OTHER HIGH DENSITY USES BE LOCATED ONLY IN COMMUNITIES WHICH PROVIDE THE NECESSARY AND SUFFICIENT SERVICES SUCH AS SEWER, WATER, POLICE AND FIRE PROTECTION.
49. THE METROPOLITAN COUNCIL SHOULD BE PREPARED TO ASSIST RURAL COMMUNITIES WITH LEGAL SUPPORT ON THIS ISSUE.

ANNEXATION

Task force members have had a wide range of experience with annexation. Some events have been quite amicable while many have resulted in fierce disagreement which, in some cases, remains to this day. Obviously, community identity, windfall profits, personal feelings, fiscal integrity, and many other aspects can deeply infect what might otherwise appear to be a simple boundary change. Hence, this is an issue requiring careful study and full participation by all affected.

The task force believes that the Minnesota Municipal Board (MMB) has made great progress in stabilizing the annexation process so that relevant factors are fully considered. Many of the annexations in the past which members are concerned about probably would be handled much differently today.

Still, the task force feels that certain recommendations are in order; annexation is an issue which concerns all parts of the rural area.

50. ANNEXATIONS WHICH INVOLVE FARMLAND SHOULD BE RIGOROUSLY REVIEWED FOR THEIR EFFECT ON THE LONG-TERM VIABILITY OF THE FARM AREA.

- MUNICIPALITIES STILL APPEAR TO HAVE THE UPPER HAND IN ANNEXATION PROCEEDINGS. MEMBERS FROM TOWNSHIPS DESCRIBED THE CONSTANT TREPIDATION WHICH COMES FROM NOT KNOWING WHEN THE "BIG GRAB" WILL BEGIN. ONE TOWNSHIP APPARENTLY HAS INITIATED ANNEXATION PROCEEDINGS ON ITS OWN JUST TO RESOLVE THIS QUESTION. MEASURES ARE NEEDED TO PLACE ALL PARTICIPANTS ON A MORE EQUAL BASIS.
- MUCH OF THE ILL-WILL BETWEEN LOCAL GOVERNMENTS ARISES FROM THE LONG UNCERTAINTY FACED BY RESIDENTS IN THE AFFECTED AREAS. RECENT ORDERLY ANNEXATION EXPERIENCES, FORTUNATELY, SHOW THAT THIS PROBLEM IS BEING CORRECTED. A MUTUAL AND AMICABLE UNDERSTANDING SHOULD BE ESTABLISHED BETWEEN THE LOCAL GOVERNMENTS, INCLUDING A WRITTEN MUTUAL AGREEMENT PRIOR TO ANNEXATION PROCEEDINGS. ALL PARTIES HAVE THE RESPONSIBILITY TO SEEK THIS UNDERSTANDING. DISCUSSIONS WHICH ARE HELD TO DEVELOP AN UNDERSTANDING BETWEEN PARTIES SHOULD BE ESPECIALLY ATTENTIVE TO THE CONCERNS OF AFFECTED RESIDENTS.
- BEFORE A MUNICIPALITY ANNEXES LAND IN AN ADJOINING TOWNSHIP, THE CITY SHOULD PRESENT A PLAN SHOWING HOW MUNICIPAL SERVICES WILL BE PROVIDED IN THE ANNEXED AREA, AND THE WHOLE AREA TO BE ANNEXED SHOULD BE SERVED WITH THE SAME LEVEL OF URBAN SERVICES AS THE REST OF THE CITY WITHIN THREE YEARS.
- ALTERNATIVES TO ANNEXATION SHOULD BE GIVEN GREATER EMPHASIS. JOINT POWERS AGREEMENTS, ORDERLY ANNEXATION, AND PURCHASE OF SERVICES BY ADJOINING COMMUNITIES SHOULD BE ENCOURAGED. MUNICIPALITIES WHICH SELL SERVICES TO OTHER GOVERNMENTS SHOULD PRICE THESE SERVICES SO THAT ADEQUATE COMPENSATION IS RECEIVED. THERE APPEARS TO BE MUCH UNDER-CHARGING, WHICH AMOUNTS TO A SUBSIDY.
- A FEAR OF "LAND GRABBING" (AS WAS PERMITTED IN THE PAST) STILL PERSISTS. THE MINNESOTA MUNICIPAL BOARD SHOULD BE URGED TO ASSURE AS WELL AS POSSIBLE THAT LAND SLATED FOR ANNEXATION HAS A STRONG LIKELIHOOD OF BEING DEVELOPED OR PRESENTLY CONTAINS A SIGNIFICANT AMOUNT OF NON-AGRICULTURAL DEVELOPMENT. ANNEXED LAND SHOULD BE ADJACENT AND ALL OF IT CLOSE TO THE MUNICIPALITY.
- THERE IS VERY SELDOM REASON FOR ANNEXING LONG-TERM AGRICULTURAL AREAS, AND SUCH LAND SHOULD RARELY BE INCLUDED WITHIN AN ANNEXATION UNLESS TOWNSHIP, CITY, AND

LANDOWNER AGREE OR IF SUBSTANTIAL URBANIZING DEVELOPMENT SURROUNDS IT. TOWNSHIPS SHOULD BE AWARE THAT IF THEY ALLOW NON-FARM DEVELOPMENT TO SPREAD THROUGHOUT THE AGRICULTURAL AREA, THE LONG-TERM CHARACTER OF THE AREA IS QUESTIONABLE, AND IT IS OPENING ITSELF TO ANNEXATION BY ADJOINING COMMUNITIES.

DIRECTING AND TARGETING FEDERAL FUNDS IN THE RURAL AREA

The task force believes that federal assistance programs for rural non-farm housing have contributed to the problem of scattered development in the rural area. This non-farm development often interferes with agricultural areas and adds to fiscal problems for Rural Centers because residents use Rural Center services but do not contribute to the tax base or community life. At the same time many Rural Centers have unused utilities within their boundaries and need moderate growth to maintain their viability.

51. THE METROPOLITAN COUNCIL SHOULD SEEK AGREEMENTS WITH FEDERAL AGENCIES TO ASSURE THAT FEDERAL ASSISTANCE FOR RURAL NON-FARM HOUSING SUPPORTS LOCAL AND REGIONAL PLANS AND IS FOCUSED ON RURAL CENTERS WHICH HAVE ADEQUATE SERVICES AVAILABLE.
52. PRIORITY FOR GENERAL COMMUNITY DEVELOPMENT PROGRAMS IN THE RURAL SERVICE AREA SHOULD BE GIVEN TO THE RURAL CENTERS, WHERE PUBLIC SERVICE INVESTMENTS HAVE ALREADY BEEN MADE.
53. THE METROPOLITAN COUNCIL SHOULD ENDORSE SUBSIDIZED FAMILY AND ELDERLY HOUSING REQUESTED BY RURAL CENTERS AND DESIGNED TO SERVE THE RURAL CENTER'S SERVICE AREA NEEDS, PROVIDED APPROPRIATE MUNICIPAL SERVICES ARE AVAILABLE.
54. THE METROPOLITAN COUNCIL HAS RESPONSIBILITY FOR DISTRIBUTING SOME GRANT MONIES TO LOCAL GOVERNMENTS. THE COUNCIL SHOULD ALLOCATE THESE FUNDS BY POLICY AREA SO THAT RURAL CENTERS NEED ONLY COMPETE AMONG THEMSELVES FOR AVAILABLE FUNDS.

OPEN SPACE

Much confusion results from efforts to use agricultural preservation measures to protect "open space." The words are not necessarily synonymous. The legislation should be designed to provide protection both before and after development. Agricultural preservation only does the former, at best.

55. NEW OR SEPARATE LEGISLATION IS NEEDED TO SPECIFICALLY PROTECT OPEN SPACE SUCH AS WETLANDS AND FLOODPLAINS. PARTICIPATION AND

BENEFITS SHOULD BE TIED TO LOCAL PLANNING AND ZONING FOR THESE RESOURCES.

INCONSISTENT ASSESSMENT PRACTICES

Task force discussions were often hampered by contrary experiences due to different approaches being used by county assessors and differences in their attitudes toward farmland. Consistency of practices is needed among metropolitan counties as well as with adjoining non-metropolitan counties.

56. ADDITIONAL EFFORT IS NEEDED TO IMPROVE CONSISTENCY FROM ONE ASSESSMENT DISTRICT TO ANOTHER IN AGRICULTURAL AND OTHER ASSESSMENT PRACTICES, TO INSURE THAT SIMILARLY SITUATED AGRICULTURAL LANDS AND RESIDENCES WILL NOT PAY A DISPROPORTIONATE AMOUNT OF TAXES FOR THE SAME SERVICES.

BETTER EDUCATION IN RURAL CONCERNS

The planning needs of agricultural and rural life-style communities require the recognition of rural, not urban, values, problems, solutions and resources. The application of urban originated and oriented expertise and methods to the rural area has frequently resulted in their inappropriate use and the lack of local support for them.

57. PLANNING SCHOOLS OF COLLEGES AND UNIVERSITIES SHOULD BE URGED TO DEVELOP CURRICULA WHICH PROVIDE TRAINING IN THE PLANNING NEEDS AND CHARACTERISTICS OF RURAL AS WELL AS URBAN COMMUNITIES.
58. EXISTING AND FUTURE GOVERNMENTAL PROGRAMS WHICH ARE TO PROVIDE ASSISTANCE TO RURAL COMMUNITIES SHOULD BE REVIEWED TO ASSURE THAT THEY ARE GEARED TO RURAL NEEDS AND CAPABILITIES.

More than half of the Metropolitan Area is rural/agricultural, yet none of the Metropolitan Council members is a farmer. The task force feels that the Council has made important progress with its rural and agricultural policies in the Development Framework. But as these policies are implemented, the Council will need a better personal understanding of the area. A farmer member would help solidify the regional commitment to the preservation of agriculture.

59. MORE FARMER/RURAL AREA REPRESENTATION IS NEEDED AT THE COUNCIL, ADVISORY, AND STAFF LEVELS OF THE METROPOLITAN COUNCIL.

- THE APPOINTMENT PROCESS SHOULD ASSURE THAT THERE IS

ADEQUATE REPRESENTATION FROM THE RURAL AREA ON THE METROPOLITAN COUNCIL.

- AN ONGOING RURAL AREA ADVISORY COMMITTEE, WITH A COUNCIL MEMBER AS CHAIRMAN, SHOULD BE CREATED, AND BETTER RURAL REPRESENTATION IS NEEDED ON OTHER ADVISORY COMMITTEES.
- STAFF WITH SUFFICIENT BACKGROUND IN RURAL AREA PLANNING IS NEEDED TO PROVIDE EXPERTISE IN RURAL ISSUES AS APPLIED TO ALL PLANNING SUBJECTS.

COORDINATION WITH ADJOINING, NON-METROPOLITAN COMMUNITIES

Under the Metropolitan Land Planning Act, communities within the periphery of the Metropolitan Region are obligated to prepare plans and ordinances which are in accord with the Metropolitan Development Framework. This area has been designated to remain at very low densities. However, just across the regional boundary, communities are not obligated to control growth and in many cases they are permitting very high density development. This causes severe service problems especially when service boundaries cross regional lines — which is common for school districts — and causes tremendous development pressure on communities which are located in between. The task force does not have a solution for this problem, but urges the Metropolitan Council to take steps to correct it before more serious problems are created. The Council should be more aware of development taking place in adjoining counties.

60. THE METROPOLITAN COUNCIL SHOULD TAKE STEPS TO COORDINATE DEVELOPMENT PLANS OF ADJOINING NON-METROPOLITAN COMMUNITIES WITH THE METROPOLITAN DEVELOPMENT FRAMEWORK.

Rural Area Overview

COMMERCIAL AGRICULTURE REGION

Extent of Agriculture

Agriculture is a major land use and the largest single land use in the Twin Cities Metropolitan Area. The Metropolitan Area lies on the northern edge of the Midwest corn belt which is one of the world's largest agricultural regions and is noted for its vast productive capability. The protection of this prime agricultural land to promote agricultural use of the land is a policy of the Metropolitan Council.

In 1977 approximately 1,600 square miles (1,037,700 acres) of the 2,840 square miles of land in the Metropolitan Area were classified as farmland. Harvested acreage in that same

year totaled over 1,000 square miles. The distribution of farmland varies considerably by county with Ramsey almost totally an urban county and Carver, Dakota and Scott counties three-fourths or more agricultural. The number of acres of farmland by county is shown in Table 1.

Table 1
LAND IN FARMS* 1977

County	Total Land Acres	Land in Farms	Land in Farms as Percent of County Land	Percent of Metro Area Farm Land
Anoka	274,918	114,400	42	11
Carver	229,171	198,600	87	19
Dakota	367,774	277,200	75	27
Hennepin	362,977	132,000	36	13
Ramsey	98,050	4,800	5	—
Scott	229,202	172,800	75	17
Washington	255,850	137,900	54	13
Metropolitan Area	1,817,942	1,037,700		100.0

*A farm is defined as a place of ten acres or more with sales of \$50 or more and also places of less than ten acres with sales of \$250 or more.

Source: Minnesota Agricultural Statistics 1978, Minnesota Crop and Livestock Reporting Service, USDA.

Comparable data from the early seventies on farm acreage is not available because of a change to a more accurate method of reporting farmland. However, if the extent of farming in the Metropolitan Area is measured in terms of income, agriculture in this Area has remained relatively stable. In 1969 Metropolitan Area farmers received 4.9 percent of the total farm income in the state; by 1974 the Metropolitan Area's share had decreased only .7 percent, to 4.2 percent (based on the total market value of agricultural products sold by farms with sales of \$2,500 or more).¹

¹U.S. Department of Commerce, 1974 Census of Agriculture, Minnesota State and County Data.

Types of Farming²

Some significant variations in the commodities produced occur by county (see Table 2), a result largely of topographic and soil differences in the Region. Anoka, for example, does not produce much of a cash crop with its sandy soils but concentrates on livestock with an increasing emphasis on poultry farming. Another major type of farming in Anoka is truck gardening in the peat land areas. Dairy farming predominates in Carver, Hennepin and Scott counties with Carver County farmers receiving over 56 percent of their 1974 income from dairy products. Cash crops are a major income source in Dakota and Scott counties, and, to a lesser extent, in Washington County. Washington and Hennepin counties each garnered over 20 percent of their 1974 farm income from nursery and greenhouse operations. A larger share of income from cash crops is shown for 1974. This is explained by an increase in commodity prices for cash crops at that time and by an increased number of acres planted.

Agricultural Land Costs

In 1977 the average sales prices for improved agricultural land in Metropolitan Area counties ranged from 40 to 100 percent above the statewide average sales price. Metropolitan Area farmland experienced from 1967 to 1972 its most substantial price increases in the last ten years. From 1972 to 1977, the Metropolitan Area counties had below average sales price increases. According to Philip Raup in the *Minnesota Agricultural Economist*, No. 595, January 1978, farm land in the eastern portion of the state which includes the Metropolitan Area, has been most strongly influenced by urban, residential and recreational land uses, and is more dependent on livestock agriculture than is the western portion of the state.

Throughout the 1960s and into 1972 the largest annual percentage increases in farmland values occurred in the eastern counties. In 1972 with the dramatic increase in prices for cash crops the western districts where cash crops predominate saw higher than average increases in farm prices. According to Raup:

These higher crop prices were quickly capitalized into higher farmland prices. Many farmers used their record incomes to expand the size of their land holdings, adding further to upward pressure on farmland prices. By 1975, farmland values rose by more than the statewide average in the three western districts (25 to 48 percent) while farmland values increased by notably less than the statewide average (6 to 17 percent) in the eastern districts where livestock farming and urban, residential, and recreational land uses are prominent

By 1977, the market had begun to return to its earlier pattern and farm land values in the eastern portion of the state again rose by more than the statewide average (see Table 3).

²Information from Minnesota Agricultural Statistics for each year cited.

Although it is evident that some of the increase in agricultural land values in the Metropolitan Area is due to its proximity to an urban area with its pressures for development, it is also true that prices for farmland in non-urban areas have also risen rapidly. From 1972 to 1977, for example, the statewide average sales price of farmland increased 293 percent.

Table 2
MARKET VALUE OF AGRICULTURAL PRODUCTS SOLD
(Percent by commodity of total market value for year shown)
(Data for farms with sales of \$2,500 or more)

	Anoka County		Carver County		Dakota County		Hennepin County		Ramsey County		Scott County		Washington County	
	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974	1969	1974
CROPS	9	19	9	18	20	41	16	25	1	1	13	28	14	29
Grains	4	12	7	15	19	39	7	17	—	—	11	25	10	25
Hay, etc.	2	5	2	3	1	2	2	2	—	—	2	3	2	2
Other Field Crops	3	2	—	—	—	—	7	6	—	—	—	—	2	2
HORTICULTURE	22	28	—	2	5	11	30	27	83	94	2	2	21	25
Vegetables	13	14	—	1	3	5	4	3	5	5	1	2	1	2
Fruits	0	0	—	—	—	—	—	—	—	—	—	—	3	3
Nursery	9	14	—	1	2	6	26	24	78	89	1	—	17	20
LIVESTOCK	68	53	91	81	74	47	53	47	16	4	84	69	65	46
Poultry	25	20	3	3	3	2	6	4	(D)	(D)	3	2	8	3
Dairy Products	20	14	60	56	28	21	29	28	1	—	47	40	26	18
Dairy Cattle	5	10	10	13	5	17	5	10	—	—	8	16	23	19
Other Cattle	8	—	8	—	26	—	8	—	1	1	11	—	—	—
Hogs, Sheep	9	9	10	9	11	7	4	4	6	1	15	11	8	5
Other	1	—	—	—	1	—	1	1	—	—	—	—	—	1

NOTE: Totals may not add to 100 percent due to rounding.
(D) Data withheld to avoid disclosing individual farms.

Source: 1974 Census of Agriculture, Minnesota State and County Data.

Table 3
AVERAGE SALES PRICES OF FARM LAND
JANUARY - JUNE 1977

County	Dollars Per Acre	Percent of Statewide Average
Anoka	---	---
Carver	1,596	186
Dakota	1,475	172
Hennepin	1,750	204
Ramsey	---	---
Scott	1,200	140
Washington	1,315	153
State Average	859	

Source: Rodney Christianson and Philip M. Raup, "The Minnesota Rural Real Estate Market in 1977," *Minnesota Agricultural Economist*, No. 595, January 1978.

GENERAL RURAL USE REGION

The General Rural Use Region consists of those lands in the Rural Service Area which are not best suited to long-term large-scale agricultural production but are more compatible with uses such as specialty farming, passive recreation, and low density residential development. The General Rural Use Region serves as a buffer between the urbanized areas and the commercial agriculture areas. According to the Development Framework, land in the General Rural Use Region will not be needed for intensive urban development before 1990 and metropolitan services will not be extended to the area before that time. To achieve this, the population density of the General Rural Use Region must remain low enough so that urban services will not be necessary until 1990.

Population

In 1977 an estimated 244,170 people lived outside the urban service area, about 13 percent of the regional population.

Table 4
METROPOLITAN AREA POPULATION, 1970, 1977

	1970	1977	Average Annual Increase
Rural Service Area	103,833	143,750	5,702
Rural Centers	17,218	21,420	600
General Rural Use Region	60,525	89,970	4,206
Commercial Agriculture Region	26,090	32,360	895
Freestanding Growth Centers	78,567	100,420	3,122
Total	182,400	244,170	8,824
*Metropolitan Area Total	1,874,612	1,973,470	14,122

Since 1970 the Rural Service Area has grown by 40,000 people and the Freestanding Growth Centers by about 22,000. During this period the Metropolitan Urban Service Area (MUSA) showed a net population growth of 37,000, lower than the rural area's growth. Three-fourths of the growth in the Rural Service Area has been in the General Rural Use Region; only 10 percent in the Rural Centers.

Housing

Approximately 22,000 housing units were built outside the MUSA from 1970 to 1977 compared to approximately 90,000 units built inside the MUSA during the same period.

Table 5
INCREASE IN HOUSING UNITS OUTSIDE THE MUSA

	Housing Units			Average Annual Increase			
	1970	1975	1977	1970-1975		1976-1977	
				Units	Percent	Units	Percent
Rural Service Area	29,290	39,167	42,161	1,975	6.7	1,497	3.8
Rural Centers	4,488	6,144	6,527	331	7.4	192	3.1
Rural Use Region	18,373	24,964	27,041	1,318	7.2	1,039	4.2
Agricultural Use Region	6,429	8,059	8,593	326	5.1	267	3.3
Freestanding Growth Centers	22,083	29,344	31,572	1,452	6.6	1,114	3.8
Total	51,373	68,511	73,733	3,427	6.7	2,611	3.8
Metropolitan Area Total	594,017	686,491	705,839	18,495	3.1	9,674	1.4

The 22,000 units outside the MUSA breaks down as 12,800 in the Rural Service Area and 9,200 in the Freestanding Growth Centers. Within the Rural Service Area, the General Rural Use Region accounts for about two-thirds of the houses built. On the average, 1,318 new houses were built there each year between 1970 and 1975 and 1,039 new houses annually in 1975 and 1976. This decline in housing construction in the General Rural Use Region appears to have been due more to the recession in the new housing market region-wide than to Council policy. In fact, during 1975-1976, while housing construction in the Metropolitan Area as a whole dropped to half its pre-1975 level, construction in the General Rural Use Region declined only 21 percent. During 1975 and 1976, 27 percent of all housing built in the Region was built outside the MUSA.

Thus, there has been a slow-down in rural growth during the past two years. An alarming sign, however, is that the rural area continues to increase its share of regional growth. And only about one-half of the growth outside the MUSA is occurring in the Freestanding Growth Centers and Rural Centers, places where Council policy is attempting to encourage all rural growth to be.

Density

Housing development outside these centers is not uniformly spread throughout the rural regions; it is highly concentrated in Anoka County. In fact, 44 percent of all housing construction in the General Rural Use Region and Commercial Agriculture Regions between 1970 and 1976 was in Anoka County. Hennepin and Washington counties each accounted for 18 percent, while Dakota had 10 percent, Scott 6 percent, and Carver 4 percent.

RURAL CENTERS

Function and Location

Rural Centers are those small communities located in the Rural Service Area which provide some support services for the farmers in the area and which have a small amount of residential and commercial development. The Rural Centers are distinguished from the Freestanding Growth Centers primarily by their lack of an employment base and also by the size of their population which is generally less than that of the Freestanding Growth Centers.

Thirty-three Rural Centers are identified in the Development Framework, 17 of which are located in Hennepin and Carver counties. Almost 85 percent of the Rural Centers' households are located in Carver, Hennepin and Washington counties and only 15 percent in Anoka, Dakota and Scott counties. Dakota and Scott counties, however, are the location of eight of the Freestanding Growth Centers, whereas Hennepin County's agriculture area has no Freestanding Growth Center and Anoka has only one. Because of these two Rural Centers, one in west-central Hennepin County (Maple Plain) and one in northern Anoka County (St. Francis) have been designated as Proposed Freestanding Growth Centers to provide an alternative to scattered growth in these areas.

Table 6
RURAL CENTER HOUSEHOLDS BY COUNTY

Rural Centers	1970 Households	Percent of Total	1978 Households	Percent of Total	1970-1978 Percent of Increase
Anoka County	439	8	554	7	26
Carver County	1,744	31	2,280	30	31
Dakota County	416	7	491	6	18
Hennepin County	1,622	29	2,456	32	51
Scott County	103	2	144	2	40
Washington County	1,276	23	1,739	23	36
	5,600		7,664		37.0

In general, the Rural Centers have been growing more slowly than the remainder of the Rural Service Area. Although there was a 37 percent (2,064) increase in households in the Rural Centers from 1970 to 1978, there was a 77 percent (16,058) increase in households in the rest of the Rural Service Area.

Commercial and Industrial Growth

An important historic role for the Rural Centers has been to serve as rural trade centers for the surrounding agricultural area. Yet from 1973 to 1977 only 42 percent of the commercial and industrial growth (C-I growth as measured by building permit data) in the Rural Service Area took place in the Rural Centers. Commercial activity was somewhat more likely to locate in Rural Centers than was industrial activity by a 44 to 40 percent margin.

Distribution of the commercial and industrial activity among rural centers varied considerably also with Hennepin County Rural Centers garnering 57 percent of the commercial and industrial growth. Much of this (31 percent) was due to growth in the municipality of Rogers which is located adjacent to the recently completed I-94 and which is served by an I-94 interchange.

Table 7
RURAL CENTERS BY COUNTY
COMMERCIAL/INDUSTRIAL ACTIVITY

County	1973-1977 (\$000) Commercial	(\$000) Industrial	(\$000) Total	Percent of Grand Total
Anoka	101	55	156	2.6
Carver	836	163	999	16.5
Dakota	174	631	805	13.3
Hennepin	2,024	1,450	3,474	57.4
Scott	0	0	0	—
Washington	202	418	620	10.2
Total	3,337	2,717	6,054	100.0

Source: Building Permit Data, Metropolitan Council

Sixty percent of the industrial activity in the Rural Service Area from 1973 to 1977 took place outside the Rural Centers as did 56 percent of the commercial growth. Overall, commercial and industrial activity in the Rural Service Area (including Rural Centers) comprised 1.9 percent of the Region's commercial and industrial activity in that five-year period.

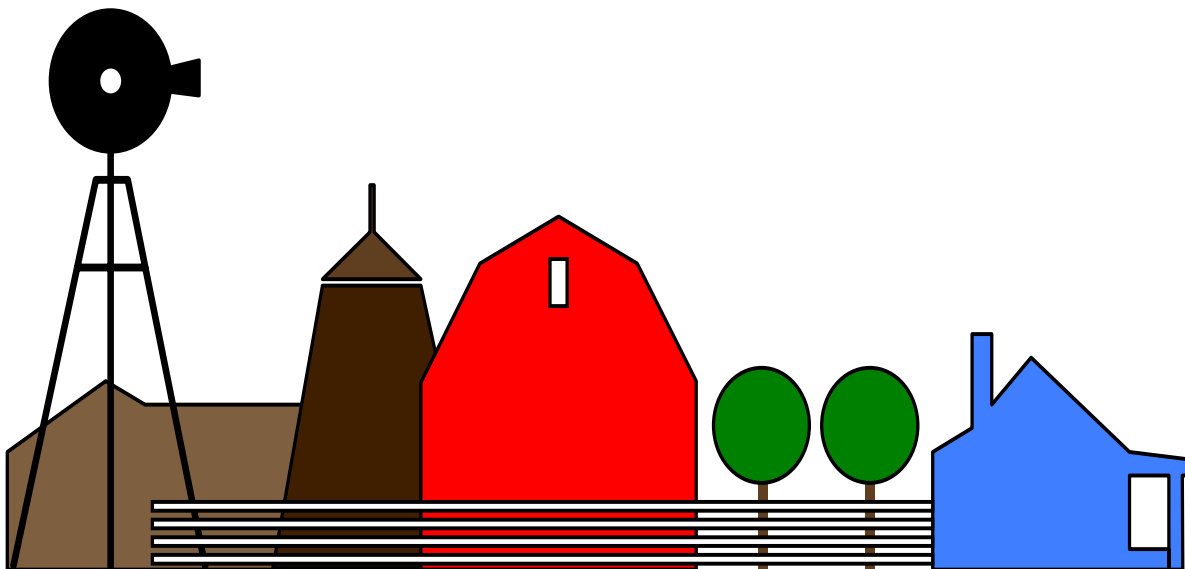
Tax Base

One major problem facing Rural Centers is the provision of services or the maintenance of service levels for households in their communities. Whereas rural townships have generally experienced increases in their assessed valuation (adjusted for the sales ratio) because of the increases in farmland values, many Rural Centers are facing a decline in assessed valuation when calculated in constant dollars. Nine of the 27 Rural Centers for which assessed valuation can be determined lost per household valuation from 1973 to 1976. Even those Rural Centers showing an increase may fall far behind the townships in which they are located. Cologne, for example, had an 18 percent increase in per household assessed valuation from 1973 to 1976, yet Cologne's per household valuation in 1976 was only 23 percent of Benton Township's per household valuation adjusted for sales ratio.

PERMANENT AGRICULTURAL LAND IDENTIFICATION PROCESS

Phase 1: Task Force Report and Recommendations

December 22, 1997



Permanent Agricultural Land Preservation Project Participants

Task Force Members

Bill Schreiber, Chair

Pete Beckius, Scott County Soil and Water Conservation District
Kevin Chamberlain, Farmer (Dakota County)
Bonnie Dehn, Farmer, Andover City Council member
Dave Drealan, Director of County Planning/Zoning, Carver County
Roger Fox, Farmer, Marshan Town Board Chair
Jane Harper, Principal County Planner, Washington County
Marv Johnson, Farmer, Mayor of Independence
Ray Jones, Farmer (Anoka County)
Ted Kornder, Farmer, St. Lawrence Township Board Chair
Dick Krier, RLK and Associates
Gail Lippert, Greenfield City Administrator
Ralph Malz, Scott County Commissioner
Carol Molnau, Farmer (Carver County), State Representative
Jim Olson, Farmer, San Francisco Township Board member
Gloria Pinke, Manager of County Assessing Services (Dakota County)
Len Price, State Senator (Washington County)
Lee Ronning/Tom Casey, Land Stewardship Project
Warren Sifferath, U of M County Extension Leader (Dakota County)
David Washburn, Farmer (Washington County)
Lothar Wolter, Jr., Farmer, Young America Township Board member

Metropolitan Council Staff

Kim Austrian, Project Manager
Chuck Ballentine
Tori Boers
Keith Buttleman
Jan Gustafson
Marcel Jouseau
Gene Knaff
Nancy Kruger
Bob Mazanec
Tom McElveen

V:\library\Liv_Comm_Move_Folder\PALPP/FINALRPT.DOC

Project Consultant



Resource
Strategies
Corporation

Executive Summary: Permanent Agricultural Land Identification Process

The Metropolitan Council's *Regional Blueprint* identifies a regional growth strategy for the seven county area through the year 2040. Among other regional planning issues, the *Blueprint* identified the need for a system to identify and preserve agricultural land. The Metropolitan Council's *Permanent Agricultural Land Preservation Project* is involving local stakeholders in the development of this system. A Task Force was established in the summer of 1997, with the primary goal to establish a simple-to-use procedure that, with the support of county and regional government, local governments can use to identify permanent agricultural land.

The Task Force met eight times in the fall of 1997. During this time, they established goals for agricultural land preservation, reviewed national models for identification of agricultural lands, and evaluated relevant data sources. Finally, with an understanding of the unique and varied intergovernmental relationships and planning framework that exists in the Twin Cities metropolitan area, the Task Force established criteria and a simple but effective procedure for agricultural land identification that included analysis of physical characteristics (*Land Evaluation*) and local site conditions (*Site Assessment*).

The Task Force recommends that data related to the *Land Evaluation* are best provided at the county level, with assistance and coordination by the Metropolitan Council when necessary. This component essentially involves the computerized mapping, through Geographic Information Systems (GIS), of existing soils productivity data in the region.

The Task Force further recommends that the *Site Assessment* should be completed by individual communities, within the context of the existing regional planning framework. This component is designed to be completed on a section-by-section basis (one square mile increments). Site assessment criteria include agricultural land suitability, land use, zoning and tax classification, parcel size, adjacent land characteristics, and urban encroachment.

Lastly, they recommend that the Metropolitan Council consider the following strategies to encourage the identification of permanent agricultural land during the current round of mandatory comprehensive plan updates:

- Prepare an immediate information release strongly encouraging and describing the purpose and procedures to add the permanent agricultural land identification process to municipal comprehensive plans.
- Actively promote and "market" the permanent agricultural land identification process through a variety of media and outreach opportunities.
- Offer coordination and assistance in completing the land identification process.
- Guarantee that the land evaluations in each county will be available for this purpose.
- Consider extending the December 31, 1998 comprehensive plan deadline for municipalities that participate in the permanent agricultural land identification process.

These procedures and recommendations for agricultural land identification conclude the work of the Task Force and Phase I of the Permanent Agricultural Land Preservation Project. Phase II, which will begin in January 1998, will evaluate and recommend a set of tools to assist communities in preserving agricultural land.

Introduction

The *Permanent Agricultural Land Preservation Project (PALPP)* of the Metropolitan Council is an effort to develop an effective mechanism by which important agricultural lands are identified and protected from competing land uses. This project is intended to implement, through local and regional planning, an important part of the regional growth strategy. An action statement in the 1996 *Regional Blueprint* committed the Council to convene a task force to recommend how to define the permanent agricultural area and to identify tools necessary to preserve agricultural uses in the region. The Council also committed itself to consider amendments to the *Regional Blueprint* and the *Local Planning Handbook*, based upon the recommendations of the Task Force.

The Metropolitan Council divided the agricultural land preservation project into two phases. Phase I involved the recommendation of a simple to use procedure to identify permanent agricultural land. Phase II will involve the recommendation of an appropriate set of tools and practices to protect permanent agricultural land. In the summer of 1997, the Council appointed a task force to complete Phase I. The diverse *PALPP* Task Force, chaired by Metropolitan Council member Bill Schreiber, was comprised of farmers, state and local officials, government and agency staff, and representatives from non-profit and for profit organizations. The goals, purposes and scope of the agricultural land preservation project are attached as *Appendix A*.

The Task Force met seven times over the course of three months. A steering committee, consisting of Mr. Schreiber, Metropolitan Council staff, and the project consultant, met throughout the process to prepare meeting agendas, materials, summaries and this final report. The Task Force completed its business and accomplished the following activities:

- Discussed and identified the unique qualities, strengths and weaknesses of agricultural land in the Twin Cities.
- Identified agricultural land preservation goals.
- Reviewed terms and definitions, data sources and technical resources relating to the identification of permanent agricultural land.
- Reviewed national models for agricultural land evaluation and site assessment.
- Reviewed and recommended roles for municipalities, counties and the Metropolitan Council in permanent agricultural land identification.

- Recommended a relatively simple procedure to identify permanent agricultural land in the seven county metropolitan area.

Unique Qualities, Strengths and Weaknesses of Agriculture

As a prelude to developing goals for the preservation of agricultural land, the Task Force brainstormed about the qualities of agricultural land in the Twin Cities. The diversity of agriculture, including the full range of plant and animal production, emerged as the leading characteristic of the region. The Task Force identified a number of important qualities and issues that merit intervention through land identification and preservation. They discussed changes in land uses in the region as a result of the evolving nature of agricultural practices and products, the movement outward of suburban uses, the displacement of agricultural uses and the importance of local and regional planning.

The Task Force also discussed the unique economic issues that agricultural uses face in the metropolitan area, including competition for land and the proximity of a major market for specialty products. The Task Force acknowledged the importance of tradition, the sense of community, and the aesthetic and open space value of agricultural areas in the metropolitan area. The Task Force concluded that these latter characteristics should not become criteria for agricultural land preservation; however, these values will be realized through agricultural land identification and preservation. The brainstorming session is synthesized in *Appendix B*.

Goals of Agricultural Land Preservation

The Task Force approved the following set of goals for agricultural land preservation, following discussion and refinement over the course of several meetings:

- Identify and preserve land best suited for agricultural use, based upon land suitability criteria, economic viability, and growth management goals.
- Promote and maintain a diversity of agricultural production, including food, feed, forage, fiber, horticulture and oil seed crops.
- Maintain a critical mass of suitable agricultural land, or intensity of agriculture use, regardless of ownership, to sustain agriculture, agri-business and agricultural support services.

- Discourage speculation in land best suited for agricultural uses by distinguishing land use designations for urban, rural and agricultural areas.
- Prevent the premature conversion to non-farm uses of land best suited for agricultural uses.

Review of Terms, Data Sources and Technical Assistance for Implementation

The Task Force initially reviewed and discussed definitions of terms frequently used in agricultural land preservation efforts, types of data, and potential sources of data for land identification efforts. Metropolitan Council staff provided background on the use of the term “permanent agricultural” in the *Regional Blueprint*. The Task Force agreed that the permanency of an agricultural land use designation needed to be sufficiently long to meet agricultural land preservation goals, but not longer than the ability of the region to anticipate the impact of economic trends on the viability of agriculture in the metropolitan area. They concluded that “permanent agricultural” in the Twin Cities Metropolitan Area should refer to land designated as agricultural through the year 2040, at a minimum.

The Task Force requested background information on trends in agricultural economics and land use in the Twin Cities. This was provided, in part, by Steve Taff, Professor of Applied Economics at the University of Minnesota. Professor Taff emphasized the limitations of economic data on agriculture and the difficulty in obtaining standard and reliable measures. Professor Taff provided an overview of general trends related to land use conversion and agriculture in the metropolitan area and illustrated a method for calculating the value of development rights for agricultural land.

The Task Force reviewed and discussed the availability of resources for cities and townships to utilize in the identification of permanent agricultural land and evaluated the quality and availability of physical data necessary to assist in the identification of permanent agricultural land. A variety of state, regional and local agencies are available to provide data and technical assistance to municipalities. *Appendix C* includes a listing of data types and sources.

National Models for Agricultural Land Identification

The Task Force reviewed the use of agricultural land identification systems around the country, including the *Land Evaluation and Site Assessment (LESA)* procedure developed by the Soil Conservation Service in 1980. *LESA* was established to implement the federal Farmland Protection Policy Act. *Land Evaluation* criteria include relatively objective soil classification and productivity indices, while *Site Assessment* criteria include such community or site-specific variables as land use and zoning of site or surrounding area and distance from urban uses. These two sets of criteria provide a framework for agricultural land identification that is based upon economic and political suitability, in addition to agricultural productivity. *Appendix D* includes a summary of the *LESA* procedure.

The Task Force also reviewed a number of agricultural land identification procedures from other parts of the country. Programs included those designed in Yolo County, California; Lancaster County, Pennsylvania; the State of Oregon; and the State of Illinois. In addition, the Task Force heard about the Olmsted County, Minnesota *Comprehensive Land Use Evaluation System*, in a presentation by Ron Livingston, Rochester-Olmsted Planning Department. The Task Force concluded that agricultural land identification criteria in the various models are generally similar and many of them are already important components of the existing land planning process in the metropolitan area. *Appendix E* includes a summary of the various programs and a matrix of the evaluation and assessment criteria.

Roles of Government in the Identification Process

Another key component to designing an agricultural land identification process is an understanding of the potential roles of various level of government. The Task Force acknowledged the unique framework, roles, and relationships among communities, counties and the Metropolitan Council, as a result of the Metropolitan Land Planning Act. This framework establishes a system of accountability for land use decisions at each level of government. It also provides a system of checks and balances to coordinate planning at multiple levels and to

implement regional goals. *Appendix F* includes a matrix of the capabilities of various levels of government.

One purpose of these discussions was to determine which units of government might have the best access to data, the capability to generate data and the ability to analyze data. The Task Force concluded that either the counties or the Metropolitan Council have the best technical capabilities to generate soils data, which is necessary to identify land meeting physical suitability criteria. In turn, municipalities can utilize this information in their planning process.

The Task Force further concluded that cities and townships, from a local growth and planning perspective, have an interest, as well as a responsibility, for identifying permanent agricultural land. With this in mind, the Task Force looked at the challenges faced by municipal officials who want to identify agricultural land for preservation. These challenges include the desire of individual property owners to maximize the return on their land, the speculation by many that land may increase in value, and the difficulty of addressing regional goals at the municipal level. Communities that desire assistance in defending municipal and regional planning initiatives have that opportunity through the existing county and/or regional government framework.

Task Force Recommendations for a Permanent Agricultural Land Identification Procedure

The basic charge of the Task Force was to recommend criteria and a simple to use procedure for municipalities to identify permanent agricultural land. After examining various models, the Task Force agreed that both *Land Evaluation* and Site Assessment criteria were important. The Task Force concluded that the *Land Evaluation* procedure is more objective and technical in nature would be more consistently completed on a regional basis by individual counties and the Metropolitan Council. *Site Assessment* procedures, on the other hand, require more interpretation at the local level, which may lead to more subjective evaluations. The Task Force agreed that Site Assessment criteria should be simple and straightforward to maximize consistency in interpretation and use by any level of government.

Land Evaluation

The Task Force recommends that the *Land Evaluation* procedure in the Twin Cities be completed at the county or regional level rather than the community level. Soil surveys have been generated at the county level and are being computerized for use in GIS formats. Because the age of the surveys varies from county to county, an effort to synchronize the data for the seven-county region is necessary. The Task Force recommends the following process for developing *Land Evaluation* data.

1. The Council should facilitate the establishment of consistent criteria for land evaluation through the Metro GIS structure, with the assistance of County Soil and Water Conservation Districts (SWCDs) and the Natural Resource Conservation Service (NRCS). The need for consistency is based upon the age difference of the county soil surveys and discrepancies in interpretive data.
2. Basic criteria to be considered in this process should include land capability classifications and a productivity rating that will identify suitable agricultural land.
3. Counties should complete *Land Evaluations* for their respective communities. In the event any county is unable to complete its *Land Evaluation* in a timely manner, the Metropolitan Council should do it. Municipalities may also complete the *Land Evaluation* using the regional criteria established above.

Site Assessment

The Task Force recommends the following Site Assessment procedure for municipalities (or counties on behalf of municipalities) to identify permanent agricultural land. The Site Assessment criteria are relatively objective, comparable to other models evaluated, reflect the regional planning framework in the Twin Cities Metropolitan Area and should achieve the goal of a simple and consistent site assessment procedure.

1. Perform Site Assessment for Each Section in the Community

Each municipality should complete an assessment of the criteria in the table on the following page for each Section (one square mile) in the community. Determine whether 50% or more of the land in each Section meets these criteria.

While a Section by Section analysis may be the typical standard in the *Site Assessment* procedure, it may be appropriate in some circumstances to utilize a smaller increment of land area for analysis (e.g., quarter section or quarter quarter section). Analysis at this level should be used to refine the Section by Section analysis. This should be used as a tool to isolate or limit the extent of existing non-agricultural influences and increase the amount of

land that is identified as permanent agricultural. This process may also be used in Step #3, where individual adjustment of isolated negative values may be appropriate.

2. Record Site Assessment Value on Community Map

Each municipality should then record the Site Assessment Value on each Section (or smaller land unit) of the community map. The values can be shaded to highlight areas identified for permanent agriculture. Site Assessment Value maps may reveal compatible patterns of values, such as all positive, all negative or well-defined groupings of positive or negative values. This may allow for relatively easy distinction of land use categories at the local level. On the other hand, values may be more intermittent or isolated, which may make land use designations more challenging.

Site Assessment Criteria (Yes = +1; Not applicable or not available = 0; No = -1)	Value (+1, 0, -1)
a. Land suitable for agriculture (<i>Land Evaluation</i> results)	
b. Land in agricultural tax classification	
c. Land in current agricultural use	
d. Adjacent land in current agricultural use	
e. Land zoned agriculture (1:20 density or less dense)	
f. Land made up of parcels at least 20 acres in size.	
g. Land is outside Future Urban Area ¹	
h. Adjacent land zoned agriculture (1:20 density or less dense)	
i. Land designated agriculture by County	
j. Land designated agriculture by Metropolitan Council	
Total Site Assessment Score ²	
Site Assessment Value (+, 0 or -) ³	
¹ Future Urban Area is land within an identified urban transition area, land within the 2020 MUSA or land within the 2040 Urban Reserve.	
² Site Assessment Score will be a positive, negative, or zero value, based upon the sum of the above values.	
³ Site Assessment Value will be a plus or a minus. Simply note a “+” for a Site Assessment Score of zero or above and a “-“ for a negative score.	

1. Adjust Isolated Site Assessment Values, if Necessary, for Land Use Compatibility

Adjustment of isolated values by a community may allow for more uniform representation of the *Site Assessment*. This may lead to the establishment of a more compatible land use pattern by discouraging future isolated land uses or “spot zoning” locations. This may be most appropriate in areas where the majority of Site Assessment Values is positive (permanent agricultural land) and the isolated value is negative. In this instance, preventing non-agricultural uses in isolated areas would promote land use compatibility, critical mass of agricultural uses, and long-term agricultural use.

On the other hand, reversing a positive Site Assessment Value to reflect adjacent negative values may not be necessary or appropriate. Isolated agricultural uses in predominantly rural

settings may not be inconsistent or incompatible with other non-urban land uses. This should be determined at the municipal level. It would not be unusual for either rural communities or developing communities to establish long-term agricultural areas in their land use plans.

Site Assessment Value adjustments may also be appropriate based upon site assessment of contiguous communities. This may be accomplished by evaluating adjacent community Site Assessment Values and land use plans; comparing a municipality's values to county-wide assessments and land use plans; and comparing a municipality's values to Metropolitan Council regional assessments and land use policy areas. This process would be consistent with the relationships and requirements of the Metropolitan Land Planning Act.

The current metropolitan area planning process may allow for adjustments in Site Assessment Values, based upon regional growth policies and regional land use plans. This would be appropriate in assisting municipal units of government seeking justification for broader support for agricultural land preservation. It may also be appropriate in adjusting or challenging municipal government land use plans, if they are inconsistent with Site Assessment Values for that community.

Implementation Strategies

The Task Force recommends that permanent agricultural land identification should be a component of municipal comprehensive plans and addressed like other land use components in the Twin Cities Metropolitan Area. The *Regional Blueprint* and the *Local Planning Handbook* should be amended to describe the agricultural land identification component included in this report. As part of the regional planning process, permanent agricultural land should be identified jointly by the Metropolitan Council, area counties, and municipalities. Identification should be a plan component in any jurisdiction that is not wholly urbanized or planned for total urbanization by 2020.

The Task Force further recommends that the permanent agricultural land identification process be implemented to the greatest degree possible during the current round of comprehensive plan updates. While the Task Force believes that the permanent agricultural land identification process should be a mandatory component in land use plans, this process may have to remain voluntary at this time, since some communities have completed their plans and others may be nearing completion.

The Task Force requests that the Metropolitan Council considers the following additional recommendations to implement the permanent agricultural land identification process:

- Prepare an immediate information release strongly encouraging and describing the purpose and procedures to add the permanent agricultural land identification process to municipal comprehensive plans.
- Actively promote and “market” the permanent agricultural land identification process through a variety of media and outreach opportunities.
- Offer coordination and assistance in completing the land identification process.
- Guarantee that the land evaluations in each county will be available for this purpose.
- Consider extending the December 31, 1998 comprehensive plan deadline for municipalities that participate in the permanent agricultural land identification process.

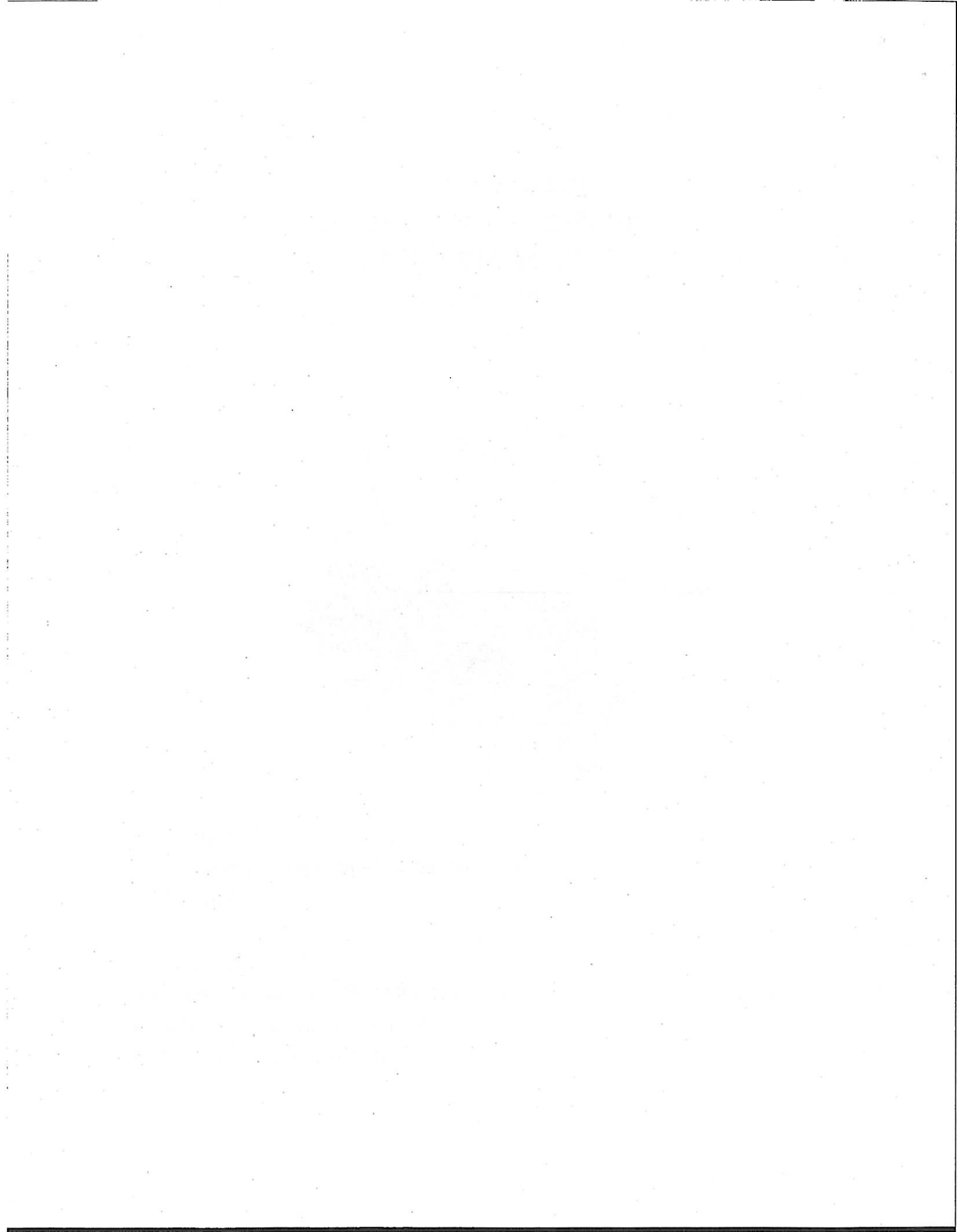
These procedures and recommendations for agricultural land identification conclude the work of the Task Force and Phase I of the *Permanent Agricultural Land Preservation Project*. Phase II, which will begin in January 1998, will identify and recommend a set of tools to assist communities in preserving permanent agricultural land.

EVALUATION OF
MINNESOTA AGRICULTURAL
LAND PRESERVATION
PROGRAMS



Prepared for:
The Minnesota Department of Agriculture
June 1999

Submitted by:
Resource Management Consultants, Inc.
Resource Strategies Corporation
Coughlin, Keene & Associates



ACKNOWLEDGEMENTS

The Project Team wishes to express its sincere appreciation to the supervision, oversight, guidance and encouragement offered by the staff of the Minnesota Department of Agriculture. Special thanks goes to:

Paul Burns, Assistant Director

Robert Patton, Local Government Outreach Coordinator, Agricultural Marketing and
Development Division

Becky Balk, Senior Planner

Funding for the project approved by the Minnesota Legislature, ML 1997, Chapter 216, Sec. 15, Subd. 9(c) as recommended by the Legislative Commission on Minnesota Resources from the Minnesota Future Resources Fund.

RESEARCH AND WRITING

The Project Team:

Robert Gray, *President, Resource Management Consultants, Inc.*

Peter Caldwell, *Counsel, Resource Management Consultants, Inc.*

Margaret McHugh, *Technical Applications/Editorial Assistance, Resource Management Consultants, Inc.*

Dean Johnson, *President, principal investigator and analyst, local project coordinator, Resource Strategies Corporation*

Michael D. Larson, *Associate, research and analysis, Resource Strategies Corporation*

Garrett S. Trapnell, *Associate, data collection and computer graphics, Resource Strategies Corporation*

Andrew J. Mielke, *Associate, data collection and financial analysis, Resource Strategies Corporation*

John Keene, *Partner, project consultant, Coughlin, Keene & Associates*

EXECUTIVE SUMMARY

Purpose

The primary purpose of the present report is to provide an evaluation of Minnesota's agricultural land preservation programs, with particular emphasis on the Agricultural Land Preservation Policy Act (the Statewide Program). Important to the evaluation is a review of experience and participation under the Metropolitan Agricultural Preserves Act (the Metro Program) which predated enactment of the Statewide Program by four years in 1980.

National Overview of Preservation of Agricultural Lands

Interest in the preservation of agricultural land has continued at a steady pace in the past three decades. State and local governments across the U.S. employ an array of preservation tools. The most successful programs use an integrated approach of economic incentives along with land use controls such as agricultural zoning. Agricultural districting is properly analyzed as only one element of this total context. The other major programs are: Property Tax Relief, Agricultural Zoning, Purchase of Development Rights (PDRs), Transfer of Development Rights (TDRs), Conservation Easements and Right to Farm Legislation. All these tools are used in Minnesota, which is at the forefront of agricultural preservation, with varying intensity and effectiveness.

Overview of Minnesota's Agricultural Land Preservation Programs

A snap-shot synopsis of the major provisions of Minnesota's Land Preservation Laws is incorporated into the report in order to set out the legal framework of agricultural land preservation in Minnesota.

Overview of Minnesota's Agricultural Land Preservation Programs

Metro Program

Experience under The Metro Program provides the best insight into the dynamics of participation in and success of Minnesota's first agricultural districting law, which in turn affords understanding of the less enthusiastic reception reserved for the subsequent Statewide Program.

The following principal inferences are to be drawn from experience under the Metro Program:

- results under Metro have been favorably influenced by the focus of the program on the uniformly rapidly growing Twin Cities region;
- there is general confidence in the Metro Program's ability to meet its financial obligations to landowners and local jurisdictions as well; the back-up guarantee of State Funds is instrumental in this regard;

- the amount of the economic incentive provided by Metro, i.e. the size of the conservation credit, has influenced the level of farmer participation in Metro; the provision for a \$1.50 per acre minimum conservation credit increased confidence in the program, after the credit had fallen to historic lows, and affected participation favorably;
- nevertheless, farmer decisions as to enrollment with eight year covenants in the Metro Program are made on a case-by-case basis, weighing all benefits (including but not limited to monetary benefits); much more land has been made eligible under Metro than has been enrolled;
- the Metro Program has served as an important buttress for the use and retention of agricultural zoning in the Metro region;
- there has been little promotion or education with respect to the Metro Program in the past 10 to 15 years.

Statewide Program

Participation under the Statewide Program, while significant, has remained limited. Causes could include:

- the fact that the Statewide conservation credit is limited to a flat \$1.50 per acre;
- the fact that long-term financing of the Statewide Program is uncertain, with many variables involved; there is no back-up guarantee from State Funds; thus confidence is lacking in the financial strength of the Statewide Program;
- the great diversity of growth pressure levels and in the levels of planning for agricultural land preservation in the widespread counties of Greater Minnesota embraced by the Statewide Program; this contrasts with the focus of the Metro Program on the uniformly high growth metropolitan region;
- as with the Metro Program, education and outreach is insufficient with respect to the Statewide Program.

Other Minnesota Programs

Agricultural zoning: Required by both districting programs, agricultural zoning has become the most used land preservation tool in Minnesota. The Minnesota experience is that it works best in conjunction with other agricultural land and growth management tools. Zoning appears to be holding, but pressure for rezoning and variances will continue to build in the high growth rate areas.

Green Acres Programs: The methods and goals of the Green Acres Program, which is essentially a tax relief tool, are in important ways at odds with the

Metro and Statewide agricultural districting programs.

TDRs and PDRs: There are opportunities for the use of TDRs and PDRs in Minnesota that should be identified and pursued by the Minnesota Department of Agriculture. The programs must be integrated as much as possible into the overall agricultural land preservation campaign.

Recommendations

1) Refocus the Statewide Program:

Refocusing should be implemented by targeting specific counties and subregions based on predetermined criteria. The criteria would include projected population growth, targeting growth corridors, areas experiencing rural development around urban centers, counties that have a strong agricultural land base and/or which need to strengthen their agricultural preservation efforts.

2) Strengthen the Statewide Program:

Various individual steps recommended to strengthen the Statewide Program are set forth in Section V. Among these is the suggestion that the property tax credit be increased from its current flat \$1.50 per acre rate. However revenue must be sufficient to cover the increase (a Future Funding Analysis is contained in Appendix A to discuss financial parameters).

3) Instill Confidence in Long-Term Funding of the Statewide Program:

Confidence in the long-term solvency of the Statewide Program is essential to both farmers and local jurisdictions. It is recommended that the soundness and feasibility of funding the Statewide Program be examined. The Future Funding Analysis discusses some of the many variables involved.

It is also suggested that a sliding scale conservation fee might be studied. In addition the provision of a guarantee from State Funds in the event of a shortfall in the Statewide Program is recommended. Such financial back-up has proven to be a confidence builder in the Metro Program.

4) Education and Outreach Benefits:

Education and outreach need to be bolstered. Funds from the state legislature should be appropriated to:

- provide for competitive grants to encourage agricultural land preservation efforts

- create local agricultural preservation committees to encourage counties, private non-profit organizations and others to look at alternative or supplementary preservation tools such as TDRs and PDRs.
- implement other education and outreach proposals contained in Section V.

5) Agricultural Zoning:

The synergistic relationship between agricultural districting and agricultural zoning should be encouraged by the Statewide Program in all ways possible. Some specific suggestions are made.

6) Green Acres Program:

Specific recommendations are made to reform the Green Acres program to make it more compatible with the goals and methods of the Metro and Statewide Programs.

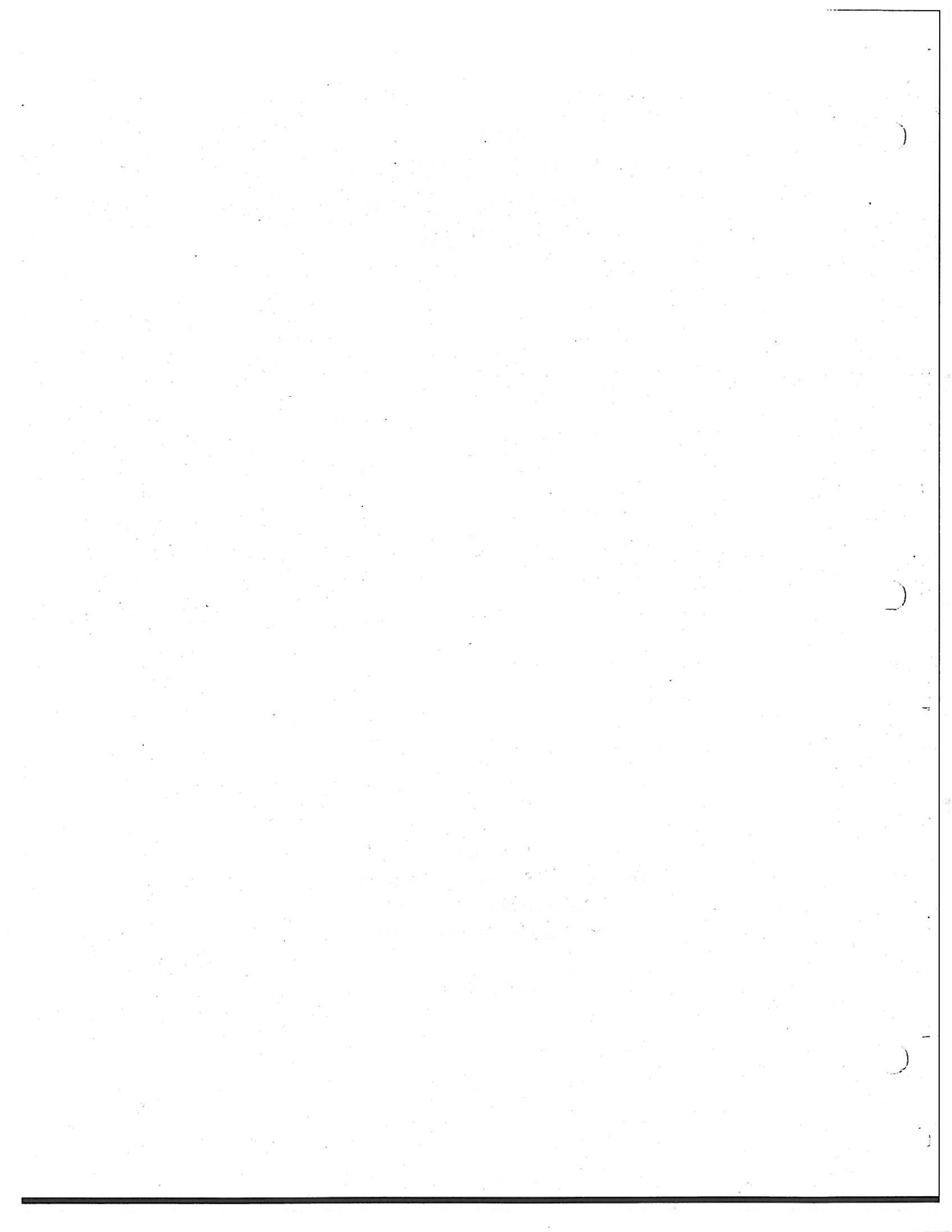
7) TDRs and PDRs:

The Minnesota Department of Agriculture should analyze and summarize the effectiveness in Minnesota of both TDR and PDR programs as additional agricultural land preservation tools. Specific opportunities are outlined.

**EVALUATION OF
MINNESOTA AGRICULTURAL
LAND PRESERVATION
PROGRAMS**

**prepared by
Resource Management Consultants, Inc.
Resource Strategies Corporation
Coughlin, Keene & Associates**

June, 1999



PREFACE

The Minnesota Department of Agriculture contracted with Resource Management Consultants, Inc. (RMCI) of Alexandria, Virginia to undertake an evaluation of Minnesota's agricultural land preservation programs. RMCI in turn subcontracted with Resource Strategies Corporation of Minnetonka, Minnesota and Coughlin, Keene & Associates of Philadelphia, Pennsylvania to form a Project Team to assist in this evaluation.

Research and experience suggests that the key to effective agricultural preservation is a synthesis of programs for managing urban growth, promoting the agricultural economy and addressing specific aspects of the loss of agricultural land. The effectiveness of agricultural preservation programs will depend on how well specific programs and policies impact the community level in terms of both the land market and the agricultural economy.

The evaluation contained in this report includes the following sections:

- Executive summary
- Section I: Introduction
- Section II: National overview of agricultural preservation programs in other states
- Section III: Overview of Minnesota Agricultural Land Preservation Programs
- Section IV: An analysis of Minnesota's agricultural preservation programs
- Section V: Findings, conclusions and recommendations
- Appendices

In order to have direct input on various aspects of the effectiveness of the Minnesota agricultural land preservation programs, the Project Team conducted a stakeholders survey of a broad spectrum of Minnesotans including: state legislators, county elected officials, planners, university specialists, farmers, private non-profit organizations, trade associations and citizens interested in agricultural preservation. The survey is contained in the appendices.

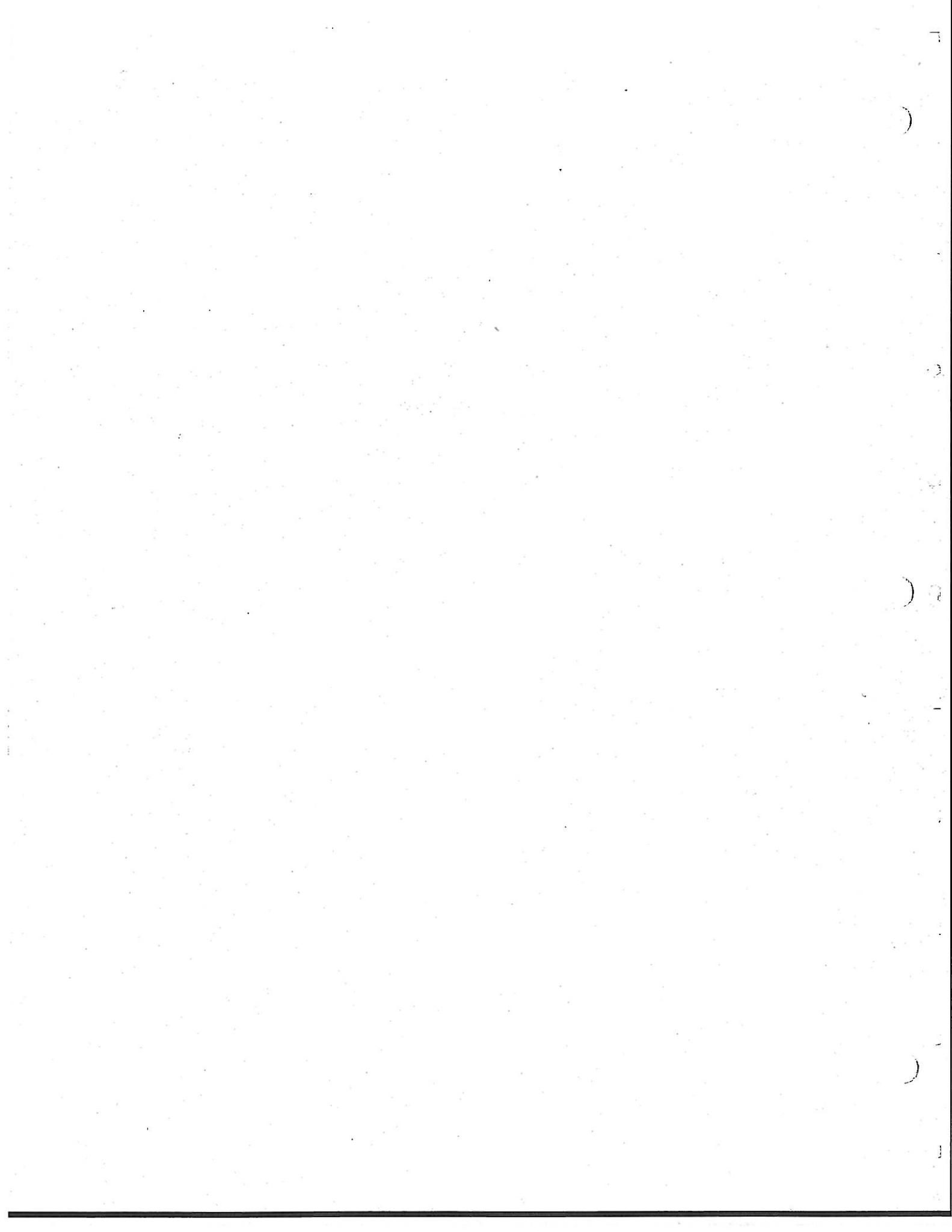
The Minnesota State Agriculture Department also formed a Working Group to review and comment on the work undertaken by the Project Team. We wish to acknowledge with gratitude the contribution of time and effort of each member of the Working Group as listed hereinafter:

Lee Ronning	1000 Friends of Minnesota
Dave Weirens	Association of Minnesota Counties
Mary Beth Block	Board of Water and Soil Resources
Karen Chrisopherson	Builders Association of the Twin Cities

Dave Fredrickson	Farmers' Union
Remi Stone	League of Minnesota Cities
Susan Thornton	Legislative Commission on Minnesota Resources
Jan Gustafson	Metropolitan Council
Tori Boers	Metropolitan Council
Dave Fricke	Minnesota Association of Townships
John Dooley	Minnesota Association of Townships
Troy Gilchrist	Minnesota Association of Townships
John Wells	Minnesota Environmental Quality Board
Tom Wegner	Minnesota Extension Service
Chris Radatz	Minnesota Farm Bureau
Dave Preisler	Minnesota Pork Producers Association
Dan Larson	Minnesota Rural Counties Council
Jodi Day	Minnesota Turkey Growers' Association
Daryl Franklin	Mower County Planning Department
Steven Rckers	Office of Strategic and Long Range Planning
Wes Judkins	Region 9 Development Commission
Kate Brigman	Waseca County Office of Planning and Zoning
Todd Bram	Winona Courthouse
Tom Salkowski	Wright County
Kerry Saxton	Wright County Soil and Water Conservation District

In addition to this project, the Minnesota Department of Agriculture also undertook two other projects as part of its "Reinventing the Agricultural Land Preservation Program". These two related projects consist of (1) an analysis of a selected group of rural Minnesota counties as case studies with respect to the fiscal impact of development and (2) the preparation of a fiscal impact model as a technical resource to help local officials evaluate the impact of various new development scenarios on their local governmental budgets.

SECTION I
INTRODUCTION



THE URBAN COMPONENT OF AGRICULTURAL PRESERVATION

The effectiveness of agricultural preservation efforts can largely be measured by the success that elected officials, planners and citizens achieve in making our cities and urban areas viable centers for future population growth and development. Although the urban part of agricultural preservation is beyond the scope of this report, it is an indispensable component for the long range viability of maintaining our agricultural land base.

To some people, the term growth management means accommodating growth in any way; to others, it means slowing or stopping it altogether. Somewhere in between lies a more appropriate goal: an explicit government program designed to control or influence the rate, amount, type, location, and cost of growth inherent in population increase and economic activity. This goal is based on the premise that population growth will continue to occur, and houses, facilities for job opportunities and other economic development that an increasing population requires must be provided. It involves, therefore, programs that combine land use regulations, incentives and disincentives to achieve a jurisdiction's specified objectives and policies. It also includes a close working relationship between state and local governments, citizen groups and the private sector.

The importance of improving urban and inner city infrastructure, schools and providing adequate affordable housing are major components of the concept of community "liveability" that is now being discussed at the national level. There also needs to be more emphasis on aesthetics in urban neighborhoods to improve the environment and quality of life.

If growth and development are given absolute free rein, it is reasonable to expect that for some areas, the rate of growth will be staggering, and development will overwhelm all should we continue to rely entirely on highways and automobiles or should we continue with the patterns of growth seen in many urban areas of the country, it will be virtually impossible to effectively preserve agricultural land in or around those burgeoning areas. Scattered development on five to ten acre parcels in agricultural areas along with scattered subdivisions and strip malls will eventually eliminate agriculture as a major land use.

The term "smart growth" has been used increasingly in a number of states across the country. The idea behind this term is to provide the necessary infrastructure such as water, sewer and roads to effectively accommodate growth where it should occur — away from agricultural land, wetlands and environmentally sensitive areas. Concurrently, urban growth boundaries or urban service areas need to be given special attention. Incorporating effective land use regulations combined with sufficient economic incentives are key components in directing residential, commercial and industrial growth to proper locations within the urban core. The Metropolitan Urban Service Area (MUSA) around the Twin Cities is a prime example of the concept of an urban growth boundary. *

While in most urban areas around the country, we have not seen sufficient growth management, smart growth or urban growth boundary elements effectively applied, interest in these policies is growing across the country.

Making urban areas attractive and affordable places to live will be a major step forward in the battle to effectively preserve agricultural land. Conversely, without these concurrent actions, keeping increased rural development pressures away from agricultural areas will be a difficult challenge indeed.

Changes Ahead in Agriculture

As we move into the twenty-first century, U.S. agriculture is undergoing a series of rapid changes. Some of these changes have been brought about through shifts in federal policies which in the past have provided major commodities, such as corn and wheat, with government support payments during periods of low prices. The Federal Agriculture Improvement and Reform Act of 1996 (FAIR), otherwise known as the Farm Bill, is one of the major instruments of policy shift. The federal support payments on corn, wheat and other commodities are now being phased out over the next seven years. In their place are a series of transition payments made each year, in decreasing amounts, with the final payments being made in 2002. For many large midwestern agricultural states such as Minnesota, this will mean a substantial reduction in federal income transfer as compared to the crop support payments of the past. In addition, farmers are now free to plant whatever acreage of any crop they please. For example, restrictions on the amount of acres of corn planted on an individual farm have been removed but so has the guaranteed price support income. The economic viability of farming must not be a victim of these changes.

More Emphasis On Global Markets

With the approval of the General Agreement on Tariffs and Trade (GATT) a few years ago and with the creation of the World Trade Organization, global markets for grain, fruit and vegetables, livestock and poultry products have increased. There is greater interest among farmers, their cooperatives and the processing and retail sector in achieving overseas markets. However, along with this opportunity comes the financial vagaries associated with economic downturns in foreign countries where markets are being developed. The recent Asian financial crisis is a good example. Nevertheless, the U.S. exported \$57.3 billion dollars of agricultural products in 1998 and this substantial export market is expected to increase in the future.

Greater Price Volatility

As a result, in part, of potential increases in global markets and reductions in federal price support payments for certain commodities, farm price volatility is expected to increase. Most recently, this has occurred with respect to prices farmers receive for hogs. Corn and wheat prices have also been appreciably lower in the past few years. Farmers will most likely have to contend in the future with these trends towards wide swings in prices. Risk management which includes forward contracting with a processing company to ensure a stabilized price for an agricultural product or obtaining crop insurance to off-set reductions in market prices are several of the avenues being explored by farmers to cope with increased volatility.

Farm Size

Over the years, there has been an increasing trend toward larger farms including the amount of rented acreage individual farmers utilize in expanding their operations. This trend is likely to continue in the future; however, some agricultural experts also see a competing trend of smaller, diversified and intensively operated farms that will be producing agricultural products for local and regional markets. This potential mix of trends in farm size and production patterns could well soon impact on the future direction of agricultural preservation programs.

Contract Farming

Over the past two decades, there has been an increasing movement in the livestock and poultry industry toward contract farming. This management technique is characterized by the use of specific contracts by large processing companies with individual farmers. In many cases, the companies provide the facilities, feed and other inputs to the farmer who in turn provides the management and labor needed to raise the animals to the specifications required by the contracting company. Although contract farming has been prevalent in the pork and poultry industry for a number of years, it is now starting to be used in corn and other crops as companies contract with farmers for certain levels of starch and protein in corn. A number of agricultural economists see this trend continuing to grow in the future.

Organic Farming

Interest in organically produced agricultural products has clearly been on the increase in the past ten years. Organic production is associated with the use of environmentally sound farming practices that do not rely on the use of pesticides, commercial fertilizers and animal hormones. Although the organic industry represents less than 2% of the sales of agricultural products nationally, it is growing at a rate of 25% a year. Sales of organic products are expected to top \$4.5 billion in 1999. Organic food production appears to be one of the most rapidly growing sectors of the agricultural economy. Agricultural experts expect that organic agriculture will continue to grow at an accelerated pace in the next ten years.

Water Quality and Nutrient Management

As animal production has become more concentrated -- particularly in the hog and poultry industry -- concern over the handling of animal waste has heightened. A number of states as well as local jurisdictions have developed or are considering Confined Animal Feeding Operation (CAFO) ordinances. Most recently, USDA and the Environmental Protection Agency have developed federal guidelines that require animal feeding operations of a certain size to have permits in order to comply with animal waste handling and storage standards. Given the expected increases in concentrated animal production facilities, this issue will most likely receive a great deal more attention by federal, state and local governments in the years ahead.

What Do the Changes Mean for Agricultural Preservation?

There is no question that agriculture is undergoing a series of dynamic changes and will continue to do so in the years ahead. How these changes will play out in improving the economic well-being of farmers and in safeguarding the environment is not clear.

Therefore, future changes in agriculture will have a profound impact in how effective agricultural preservation programs work and what changes need to be made to adapting agriculture to the 21st century. This will be true of Minnesota as well, of course.

It seems clear that in the future state and local involvement in agricultural issues related to the environment and economic development will probably become greater due to the phasing down of the federal farm programs. However, at the same time, the federal role in environmental issues such as nutrient management will increase -- and this will necessitate a commensurate response at the state and local level given growing public interest and concern over water quality and other environmental considerations associated with the growth in confined animal feeding operations.

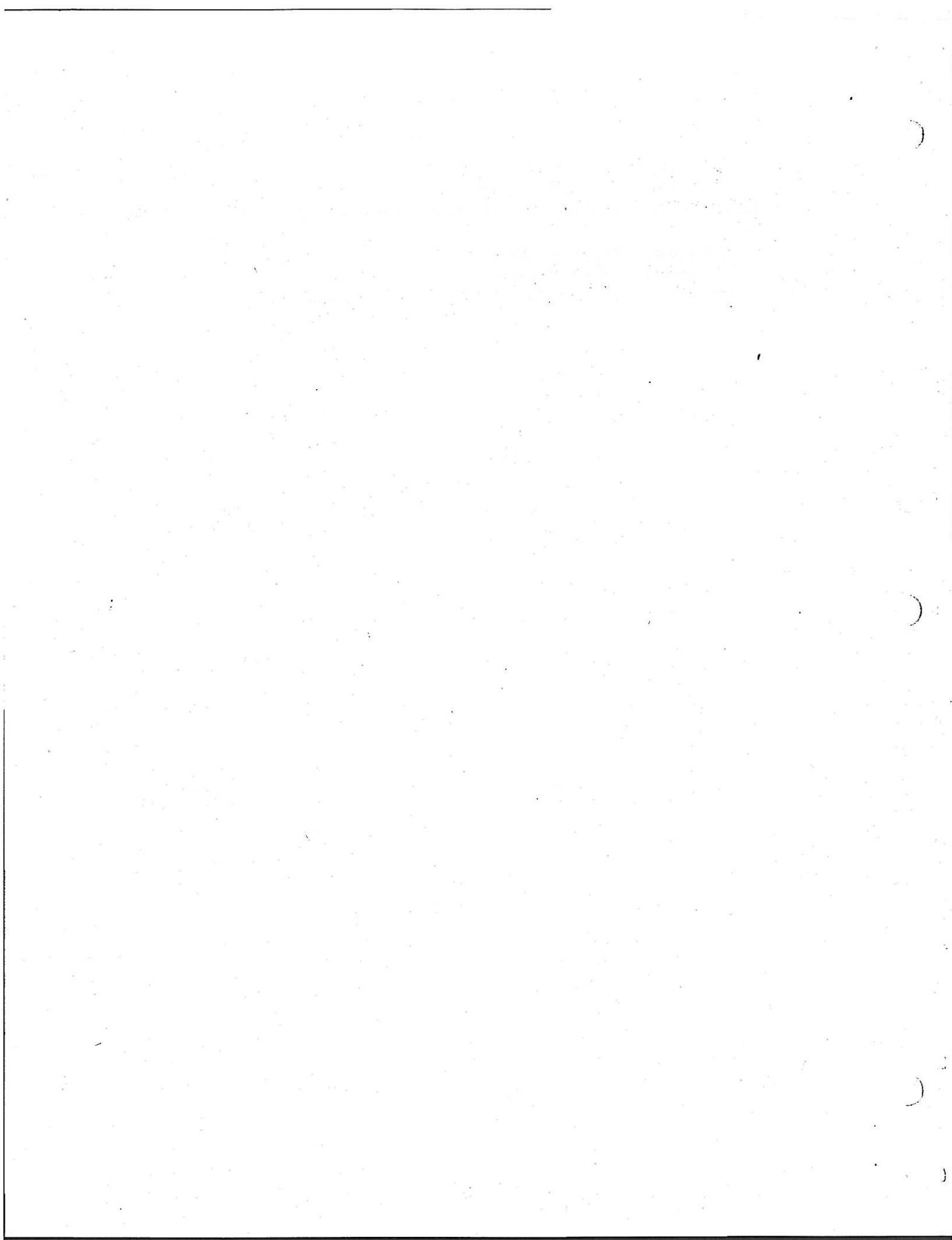
Concurrently, the increased concern nationally about urban sprawl and the need to improve the "liveability" of local communities will focus greater state and local attention on land use planning to deal with these questions. Changes in lifestyle and employment options could also have an effect on increasing the pressure on agricultural land. Higher emphasis on technology including computers and telecommunications may well result in more individuals working directly from their homes in the future, a trend that has started to develop in the past few years. This could mean a stronger desire for non-farm residents to live on five and ten acre rural estates, thereby placing more competition on agricultural land for residential uses. Citizens will more likely become involved in local land use decisions that affect the farming community. Better communications will be needed between farmers and non-farm rural residents. Both the short and long-term goals of farmers will have to be considered within the framework of the changes occurring in agriculture. Agricultural preservation programs must therefore be designed to cope with these new and more complex evolutions that will shape the countryside in the years to come.

Evaluation Methodology

The evaluation methodology employed by the Project Team consisted of the following steps:

- Review of similar agricultural preservation programs in other states with special emphasis on agricultural districting, differential assessment, agricultural zoning or other agricultural preservation tools which could be relevant to the state of Minnesota.
- A brief overview of the history of agricultural preservation in Minnesota.
- An analysis of Metro Preserves Program.
- An analysis of the State Agricultural Land Preservation Program.
- Comparison with other Minnesota counties.
- Experience with New York's and Michigan's agricultural districting and relevance to Minnesota.

- Experience with agricultural zoning in Minnesota
- Experience with the Green Acres Program
- Experience with other important agricultural preservation tools and their potential adaptation to Minnesota:
 - Purchase of Development Rights
 - Transfer of Development Rights
- Stakeholder surveys with respect to Minnesota agricultural preservation.



SECTION II

THE PRESERVATION OF AGRICULTURAL LAND:

A NATIONAL OVERVIEW

THE PRESERVATION OF AGRICULTURAL LAND:

A NATIONAL OVERVIEW

Interest in the preservation of agricultural land by state and local governments has spanned more than three decades and has resulted in a number of programs and policies aimed at curbing the loss of agricultural land to urban uses.

For the most part, state governments and local jurisdictions have approached the preservation of agricultural land within a broader concept of growth management.

The overall approach to managing growth is well described in the recent Lincoln Institute of Land Policy publication entitled Planning and Growth Management. As stated, this approach should include: "strategies to discourage urban sprawl and encourage compact urban development, infill, redevelopment and the revitalization of central cities; the provision of infrastructure at the time the impact of development occurs; economic development strategies including efforts to promote economic development in areas that need it; and policies and programs that protect rural areas, including farm and forest lands, environmentally sensitive areas and open space".¹

The goals of agricultural preservation are fully in concert with growth management. Effective preservation programs must strengthen the economic viability of farming. The intrusion of incompatible non-farm uses into productive agricultural areas has to be kept to a minimum. Public investments for roads, sewage treatment, water supply facilities and related infrastructure projects should not be made in important agricultural areas where they would encourage urban development. In the same vein, the non-farm policies of state agencies should be compatible with agricultural preservation programs; i.e., state, county and municipal land development and taxation policies should be consistent with agricultural preservation policies. Finally, state and local governments should encourage strong community support for farmers and agriculture production.

The loss of agricultural land to urban and other non-farm uses nationally was first seriously addressed by the federal government in 1979 by the commencement of the National Agricultural Lands Study, (NALS) a study to determine the causes and extent of the conversion of agricultural land to non-agricultural uses. NALS, which was published in 1981, found that approximately one million acres of highly productive agricultural land was being converted to non-farm uses on an annual basis.² Subsequent analysis by USDA's 1992 National Resources Inventory confirmed that the trend in the loss of agricultural land to urban development continued.³ The USDA's National Resources Inventory also showed that Minnesota lost 240,000 acres of agricultural land to non-farm uses during the decade from 1982 to 1992.⁴

NALS provided the first good snapshot of the various programs being implemented at the state and local level to preserve agricultural land. The American Farmland Trust, a private non-

profit organization, recently updated the NALS findings in a publication entitled *Saving American Farmland: What Works?*. It determined that many different approaches to agricultural preservation programs have been utilized throughout the United States with varying degrees of success.⁵ A brief overview of the major programs follows.

Property Tax Relief

The earliest efforts to help reduce the rate of conversion of agricultural land and to improve the economic viability of farmers involved the passage of agricultural tax programs known as "differential assessments". The purpose of these programs was to assess agricultural land in its actual agricultural use as opposed to its potential value for residential, commercial or industrial development -- the latter more often referred to as "fair market value". The intent, of course, was to keep real estate taxes as low as possible since taxes often are a significant element of cost to farmers. Forty-nine states now have differential assessment programs in place.⁶ Minnesota passed the Green Acres Program in 1968 which provides for property tax relief to qualified land owners and is typical of other differential assessment programs available in other states. We will return to the Green Acres Program later in this report.

In addition to differential assessment programs, a few states have instituted programs that allow farmers to claim state income tax credits as another way of off-setting the costs of their property taxes.⁷ These state income tax credits are available when property taxes exceed a certain percentage of a farmers income. Therefore, they have become known as "circuit breaker" tax relief credits since they are tied to both the level of property taxes and farmer income.

Overall, property tax programs *by themselves* are not considered an effective tool for the preservation of agricultural land. By design, their purpose is to improve the economic viability of farmers by keeping property taxes in line with the actual agricultural use of the land and thereby lowering farm expenses. While property tax relief programs help indirectly to keep farmers on the land, they should be just one element of a larger context of more direct agricultural preservation programs that have been implemented across the country.

Differential tax assessment programs have been criticized in many states for providing a tax break to individuals who in reality may not be engaged in farming activities and who are using these programs primarily to hold agricultural land in speculation for future urban development. A discussion of these programs follows.

In summary, the economic benefits of tax relief programs must be carefully tailored and integrated with other agricultural preservation efforts in order to provide relief that is broadly effective.

Agricultural Zoning

Since public interest in the preservation of agricultural land first manifested itself in the late nineteen sixties and early seventies, agricultural zoning has emerged as the most widely utilized

preservation program by local governments throughout the U.S. Although many other agricultural preservation techniques have been employed for the purpose of reducing the rate and amount of conversion of agricultural land to non-agricultural uses -- no other program has enjoyed such widespread use as agricultural zoning. The NALS study found that 270 county, township and municipal jurisdictions instituted agricultural zoning as their primary preservation program during the 1970's.⁸ When the American Farmland Trust released its report in 1997, the number of local jurisdictions using agricultural zoning had grown to 700 in 24 states.⁹ In 1990, William Toner, a professor of environmental planning at Governors' State University in Chicago, produced an analysis which showed that almost all of the 270 local governments having agricultural zoning which were identified by the 1981 NALS study had strengthened the provisions of their agricultural zoning ordinances to make them more effective.¹⁰

The state of Minnesota has been at the forefront of states in the nation that have adopted agricultural zoning in many local jurisdictions. Zoning in Minnesota is discussed in Section IV, Part II (A) *infra*.

The purpose of agricultural zoning is to restrict the use of land primarily to agricultural uses. Essentially, this is done by limiting the intrusion of new, non-agricultural uses such as housing or commercial development into established agricultural areas. Most agricultural zoning ordinances allow for some non-farm dwelling units in the area zoned for agricultural use. However, densities may be limited to from one dwelling unit per twenty acres to as little as one dwelling unit per 160 acres. The most stringent agricultural zoning ordinances require that any dwelling units that are built must be built on small lots leaving most of the land exclusively for agricultural use.

Most of the agricultural zoning ordinances in Minnesota counties allow an owner to build one dwelling for each quarter of a quarter section (40 acres) of land. Thus, a farm having a quarter of a section of land (160 acres) is allowed to build four non-farm dwelling units.

Agricultural zoning can be used in conjunction with compatible agricultural preservation programs such as differential assessments and other economic incentives to be described later in this report. The technique fits well with these other planning and land use programs utilized to manage growth. It can be implemented relatively quickly and is an inexpensive way to preserve large blocks of agricultural land.

However, zoning does not provide permanent protection and can be changed if local government officials decide that residential or commercial development is more advantageous to the land use goals of the jurisdiction. Analysis of many agricultural zoning ordinances that have been in place over a number of years indicate that rezonings of agricultural land to permit other uses or the granting of variances to allow for higher densities of non-farm dwellings are not done very often.

Overall, zoning has established itself as the most popular and most commonly used agricultural preservation technique with a good track record for effectiveness.

Agricultural Districting Programs

The concept of designating specific tracts of land for long-term agricultural use coupled with economic incentives and other benefits to ensure favorable conditions for farming was first implemented in the early 1970's. New York State was the first state to pass an agricultural districting law which allowed for voluntary enrollment by landowners for a designated time period. The law provided additional property tax relief combined with other benefits such as protection from local government ordinances which might hinder farming operations and limitation of the acquisition of land by public agencies. Agricultural districts in their early stages generally did not place any compulsory controls on land uses as agricultural zoning does and were purely voluntary.¹¹ Now 16 states across the U.S. have agricultural districting programs, some in conjunction with zoning and some without.¹² New York State has achieved the highest level of land owner participation with 8.5 million acres enrolled.¹³

The purpose of agricultural district programs is to encourage land owners to make a long-term commitment -- in most cases a minimum of eight years -- to keep their land in agriculture in return for which the state government will ensure conditions for farming will remain as advantageous as possible. Land owners sign agricultural districting contracts with the state agency designated to administer the program.

The state of Minnesota, with the passage of the Metropolitan Agricultural Preserves Act in 1980, was one of the very first states to tie the various benefits of enrolling in the agricultural preserves program to the zoning of the land for long-term agricultural use. In the seven county Metro region covered by the Preserves Act, local governments were required to zone the agricultural land, permitting no more than one non-farm residence per 40 acres (otherwise known as quarter/quarter zoning). In signing a restrictive covenant agreement, land owners would agree to keep the land in agriculture for eight years. A number of benefits were made available to land owners in this program including some protection from eminent domain proceedings, limitations on annexation and the prohibition of local ordinances that might impact farming operations. The most important incentive was a reduction in property taxes, through a special tax rate or minimum credit applied to land enrolled in the program. To date, 201,927 acres in the Metro region are enrolled in the program, representing 40% of the 505,394 eligible acres of land. Equally as important, all of the eligible agricultural acreage has been zoned for agricultural use. In 1984, Minnesota continued its leadership in agricultural districting programs by passage of the Agricultural Land Preservation Policy Act. This new program expanded the agricultural districting approach statewide and included many of the innovative provisions embodied in the Metropolitan Agricultural Preserves Act. More than 155,000 acres are currently enrolled in the statewide Agricultural Land Preservation Program.

Agricultural districting programs have made a significant contribution to the preservation of agricultural land. Although they are limited in scope and are without the comprehensive land use planning and agricultural zoning, they nonetheless are an important element in agricultural preservation efforts nationally.

Purchase of Development Rights

Purchase of Development Rights programs (PDR's) have been instituted by 14 states and a number of local jurisdictions to provide protection for agricultural land.¹⁴ Use of PDR's to protect agricultural land from urban uses was first implemented in Suffolk County, Long Island, in 1976.¹⁵ Under the PDR program, a land owner is paid cash for relinquishing development rights. The land owner receives the difference between the appraised fair market value of the land and its appraised value for agricultural use. The land remains in agriculture and the land owner retains all other rights to the use of the land. The goal of this approach to agricultural land preservation is to ensure that the farm land will remain in agricultural use in perpetuity.

In the two decades that PDR programs have been employed in the U.S. -- primarily in the Northeast -- approximately 400,000 acres of agricultural easements or rights have been purchased at an estimated cost of \$737 million.¹⁶ PDR's have been instituted in a number of states and local jurisdictions primarily in the Northeast where growth pressures are very high and the acreage of available agricultural land has significantly dwindled. Participation in PDR programs by land owners is voluntary and states employ various criteria, including parcel size and the quality of the agricultural land to determine if the acreage is suitable for purchase.

The costs of purchasing individual development rights on a farm by farm basis is high and lack of uniform participation by land owners can result in a checker-board pattern of preserved land. State and local funding for PDR programs comes from a variety of sources including the issuance of bonds. (Table 1 that follows indicates the amount of acreage preserved by PDRs and the associated costs as calculated by AFT.)

Table 1

**Summary of Acres Protected and Funds Spend
on Purchasing the Development Rights
on Agricultural Land**

State	Acres Protected	Funds Spent to Date
Colorado	1,878	\$610,000
Connecticut	25,566	\$74,835,100
Delaware	15,961	\$18,950,000
Maine	464	\$430,000
Maryland	128,031	\$140,637,690
Massachusetts	39,334	\$95,000,000
Michigan	79	\$709,600
New Hampshire	11,732	\$10,449,008
New Jersey	34,972	\$167,826,221
Pennsylvania	91,813	\$186,000,000
Rhode Island	2,429	\$13,199,525
Vermont	54,466	\$29,071,276
Sub-total:	406,725	\$737,718,420
Local Programs:	84,912	\$165,266,838
Total:	491,637	\$902,985,258
<p>*Local programs in California, Colorado, Florida, Michigan, New York, North Carolina, Pennsylvania, Virginia, Washington & Wisconsin.</p> <p>Source: Saving American Farmland: What Works? American Farmland Trust, 1997.</p>		

Transfer of Development Rights

As the name implies, the "transfer of development rights" means that development rights may be transferred from one area where urban development is not wanted to another area where it is. The purpose of transferring development rights is to maintain land in agriculture, forestry, or open space areas and to compensate the owners of those lands for the loss of their rights to develop them.

The local government identifies those areas that are to be protected from development and those areas that are suitable for increased urban development. Owners of land in the areas to be preserved may sell their development rights to developers or land owners who thereby increase their number of development rights credits and can transfer those credits to build in other areas at higher densities than those that existing zoning would allow. The preserved areas are referred to as "sending areas" and the developable areas as "receiving" areas. These transactions are all done within the private sector and therefore do not require government funds as "purchase of development rights" programs do.

However, as previously stated, the local government must designate both the sending and receiving areas. Public infrastructure such as roads, water and sewer need to be available in the receiving areas. The receiving areas also should be able to accommodate higher densities. Further, local governments need to zone sending areas in order to establish a clear value of the development rights to be transferred. For example, if the "sending area" is zoned for a minimum of one dwelling unit per 20 acres, this would establish the number of development rights an individual land owner would have for sale.

Although the concept of transferring development rights has been around more than two decades, TDRs in practice have had widely varying applications. One major application worthy of note has been in Montgomery County, Maryland, where to date, 38,251 acres of agricultural land has been preserved through the transfer of development rights.¹⁷

A dozen other states and a number of local jurisdictions have established PDR programs. The concept is clear in theory but the process to purchase development rights from one land owner and then transfer these rights to another location of a town or county can be difficult and intricate to implement practically. Cooperation is necessary between private land owners and developers. The implementation of a TDR program also requires the commitment of a state or local unit of government to establish the parameters of the "receiving" and "sending" areas and the value involved in order to make it attractive for the private sector to participate.

In spite of the high degree of coordination involved, TDR's are useful in areas where there is an active real estate market and where development is occurring at a brisk pace.

Conservation Easements

Over the last several years, conservation easements have emerged as another tool for the preservation of agricultural land. A conservation easement is an easement that a land owner voluntarily places on a parcel of agricultural land so no development may occur on it. Once the easement is placed on a parcel of land, it is normally held by a nonprofit conservation organization or government agency. The land owner will retain rights such as continuing to be able to farm the land, erect buildings and engage in sound farming practices.

The advantage of conservation easements is that they are permanent and stay with the land if it is sold in the future. Not all land owners may fully benefit from the tax deductions offered by conservation easement and therefore they often are limited to individuals who are wealthy. Many private local land trusts operate in a number of states across the nation.

State Agriculture Land Preservation Policies

Ten states have enacted, either through legislation or through executive order of the governor, policies that require the state to review projects that would adversely affect agricultural land. These policies apply to state funded projects such as roads, water, sewer and other facilities. The purpose of these policies is to ensure that state government projects do not negatively impact local agricultural preservation programs by being placed in areas that are designated for long term agricultural use.

The State of Minnesota passed the State Agricultural Land Preservation and Conservation Policy Act in 1982 giving the Minnesota Department of Agriculture the authority to review state projects which would adversely affect any 10 acres or more of agricultural land.

No overall evaluation has been undertaken of the effectiveness of these state policies in the preservation of agricultural land.

Federal Farmland Protection Policy Act

In response to the findings of the National Agricultural Land Study, Congress passed the Farmland Protection Policy Act (FPPA) in 1981.¹⁸ The FPPA was intended to reduce the contributory role of federally funded programs on the conversion of agricultural land to non-farm uses.

Criteria were developed by USDA to identify the potential adverse effect of federal projects on farmland and to consider alternative actions that could lessen that effect. These criteria are embodied in the Land Evaluation Site Assessment (LESA). A LESA appraisal is required for any project which involves federal funding and which may have an impact on agriculture.

Although this law has been on the books for 17 years, there is very little evidence that it has either prevented or mitigated the impact of federal projects such as highways, airports and other types of facilities on the conversion of agricultural land.

Right to Farm Legislation

All 50 states have enacted "right to farm" laws designed to protect farmers from local ordinances that would restrict normal farming practices. A number of these state right to farm laws also provide farmers with some protection against private nuisance lawsuits by rural residents who object to noise, odor and other activities from a farming operation. Minnesota has such a Right to Farm law.

Overall, it is difficult to ascertain the effectiveness of right to farm laws in preventing nuisance suits. According to the American Farmland Trust, a review of state appellate court decisions showed that less than two dozen cases involving right to farm laws were adjudicated.¹⁹ Although little information is available on their implementation, the laws are nevertheless part of the overall effort to ensure that farming practices in agricultural areas are given priority.

A recent decision by the Iowa Supreme Court in Bormann et al. vs. Board of Supervisors in and for Kossuth County should be noted here.²⁰ In that decision, the court held that a statutory immunity from nuisance suits contained in the Iowa agricultural districting program resulted in a taking of private property for public use without just compensation in violation of federal and Iowa constitutional provisions. The court found that the Board's approval of the application for an agricultural area triggered the applicant's immunity from nuisance suits, since the law allowed an agricultural area to include activities such as the creation of noise, odor, dust or fumes. This immunity resulted in the Board's effective taking of easements in the non-farming neighbor's properties. It was found that these easements entitled the applicants to do acts on their property, which, were it not for the easements, would constitute a nuisance. This, the Iowa court found, constitutes the taking of private property for public use without payment of just compensation in violation of the Federal Constitution.

The breadth of the impact of this decision on Right to Farm legislation, either standing alone or incorporated within agricultural districting programs, is yet to be determined. However, it does clearly affirm that there are constitutional limitations that must be respected and/or costly compensation paid.

Summary

Interest in the preservation of agricultural land has continued at a steady pace in the past three decades. State and local governments employ an array of preservation tools as discussed in this chapter. The most successful programs use an integrated approach of economic incentives combined with land use controls such as agricultural zoning.

There are no precise estimates of how much agricultural land in total has been preserved through the efforts of state and local governments and the private sector. Given the dramatic increase in agricultural zoning in the past twenty years, it is possible that as much as 25 to 30% of the nation's 405 million acre agricultural land base has some type of preservation program in place. It is expected that the trend to consider agricultural land preservation as an important priority by government agencies at all levels will continue in the future. In addition, private non-profit

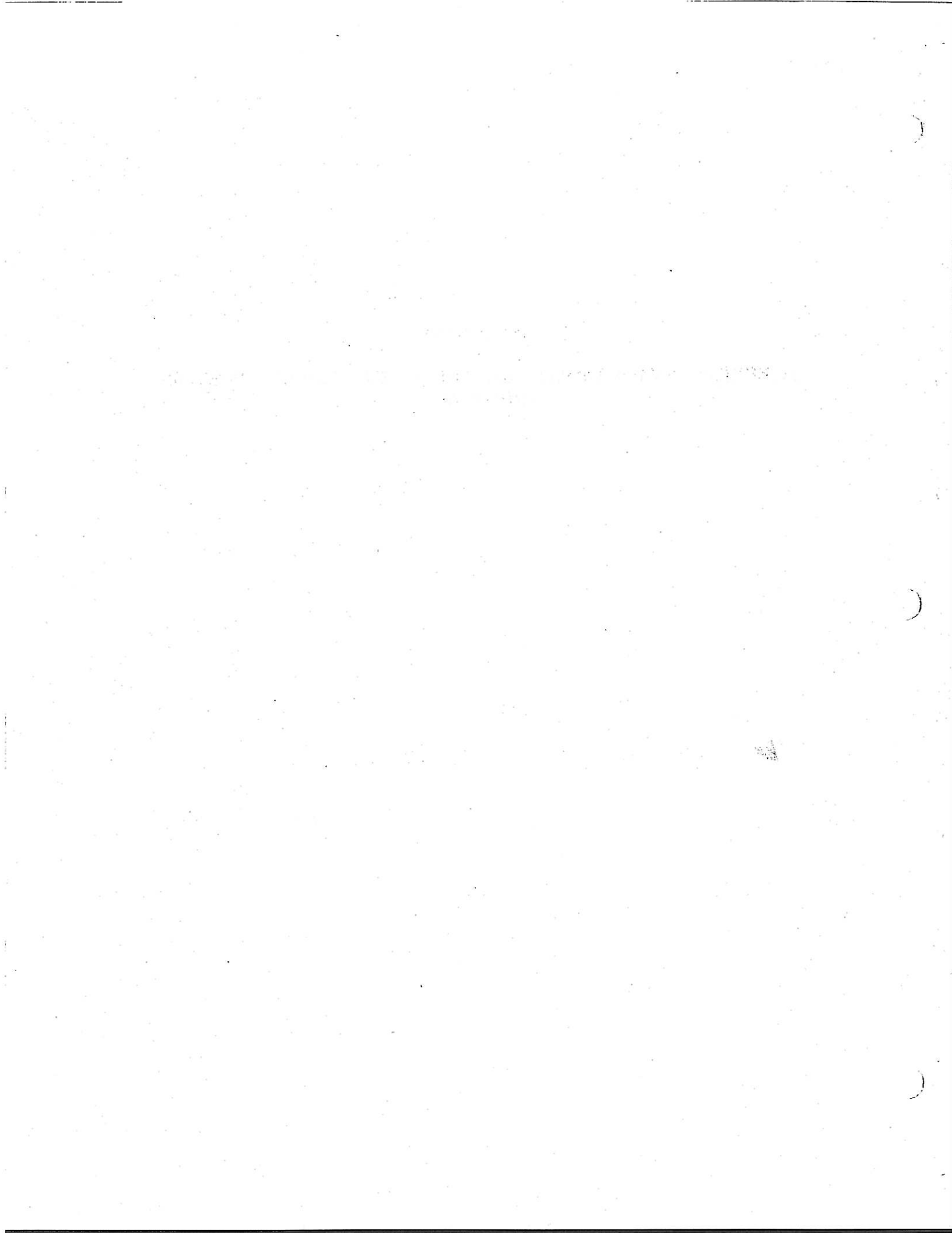
organizations have also become more heavily involved in agricultural preservation efforts in many local communities throughout the country.

ENDNOTES

1. Planning and Growth Management in the States, Lincoln Institute of Land Policy, Cambridge, Massachusetts, 1992.
2. National Agricultural Lands Study, Final Report, 1981.
3. Summary Report, 1992 National Resources Inventory, USDA, 1995.
4. Summary Report, 1992 National Resources Inventory, USDA, 1995.
5. Saving American Farmland: What Works? American Farmland Trust, 1997.
6. Saving American Farmland: What Works? American Farmland Trust, 1997.
7. Saving American Farmland: What Works? American Farmland Trust, 1997.
8. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
9. Saving American Farmland: What Works? American Farmland Trust, 1997.
10. Agricultural Zoning, William Toner Governors State University, Planning Magazine, 1990.
11. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
12. Saving American Farmland: What Works? American Farmland Trust, 1997.
13. Saving American Farmland: What Works? American Farmland Trust, 1997.
14. Saving American Farmland: What Works? American Farmland Trust, 1997.
15. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
16. Saving American Farmland: What Works? American Farmland Trust, 1997.
17. Saving American Farmland: What Works? American Farmland Trust, 1997.
18. Farmland Protection Policy Act, 1981, Public Law 97-98.
19. Saving American Farmland: What Works? American Farmland Trust, 1997.

20. Supreme Court of Iowa, No. 192/96-2276, Borrmann and McGuire vs. Board of Supervisors for Kossuth County, Iowa.

SECTION III
OVERVIEW OF MINNESOTA'S AGRICULTURAL LAND PRESERVATION
PROGRAMS



OVERVIEW OF MINNESOTA'S AGRICULTURAL LAND PRESERVATION PROGRAMS

METROPOLITAN AGRICULTURAL PRESERVES PROGRAM (MINN. STAT. CH. 473H)

The Metropolitan Agricultural Preserves Act of 1980 established an agricultural land protection program in the Twin Cities Metropolitan Area. This program provides a package of benefits to enable farmers near urban areas to continue farming on an equal footing with those farmers located outside the metropolitan area without pressures to sell or convert their land to other uses. The intent of the law is to preserve important agricultural land in the Twin Cities metropolitan area from competing land uses, protect the local agricultural economy and support businesses, promote orderly and planned growth and development of urban and rural land uses, and allow farmers to make long-term agricultural investments with the assurance that their land can continue in agricultural use without interference from urban pressures. Through the Metropolitan Agricultural Preserves Act, local governments identify areas where agriculture is to be preserved, where non-farm growth will be permitted and what standards apply to each area. Farmers receive property tax credits and additional benefits by placing a restrictive covenant on their qualifying land, limiting its use to agriculture.

The Metropolitan Agricultural Preserves statute also contains a provision that local governments may not enact ordinances or regulations that restrict or regulate normal agricultural practices within an agricultural preserve unless the restriction or regulation has a direct relationship to public health and safety.

MINNESOTA AGRICULTURAL LAND PRESERVATION PROGRAM (MINN. STAT. CH. 40A)

Adopted in 1984, the program is modeled after the Metropolitan Agricultural Preserves Act. Any county located outside the Twin Cities metropolitan area is eligible to prepare a proposed agricultural land preservation plan and implementing controls under the program for the Commissioner of Agriculture's review. Elements which must be addressed by county plans and official controls are detailed in the statutes. Counties adopting agricultural land preservation plans and implementing controls may offer agricultural preserves. In a similar fashion to the Metropolitan Agricultural Preserves program, farmers receive property tax credits; additional benefits by placing a restrictive covenant on their qualifying land, limiting its use to agriculture or forestry; and protection for normal agricultural practices.

STATE AGRICULTURAL LAND PRESERVATION AND CONSERVATION POLICY
(MINN. STAT. ⁰⁰17.80-17.84)

Enacted in 1982, this law sets forth state policy on agricultural land preservation and conservation. The law also requires that, unless a project is already subject to the state environmental review process, any state or state-funded project or rule that adversely impacts ten acres or more of agricultural land must be reviewed by the Minnesota Department of Agriculture (MDA). Before the project can commence or the rule can be adopted, MDA must determine if other alternatives exist which would avoid converting agricultural lands.

MINNESOTA AGRICULTURAL PROPERTY TAX LAW
(THE "GREEN ACRES" PROPERTY TAX DEFERMENT LAW,
(MINN. STAT. ⁰⁰273.111)

Adopted in 1967, the Minnesota Agricultural Property Tax Law, commonly known as the Green Acres Law, provides for deferment of assessment and taxes payable on farm lands whose valuations have been increased due to residential or commercial development potential. For preferential/deferred assessment of agricultural land consisting of ten or more acres, property owners who are engaged in agricultural pursuits can apply for deferment of higher valuations and consequent taxes payable, including special assessments, and continue to have the property valued based upon its valuation for farm purposes.

MINNESOTA'S RIGHT-TO-FARM LAW
(MINN. STAT. SEC. 561.19)

Under the Right-To-Farm law an agricultural operation cannot be considered a nuisance if it has been in operation for two years. A nuisance is defined as "anything which is injurious to health, or indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property..." The Right-To-Farm law protects from most public and private nuisance actions "agricultural operations" that have operated in substantially the same way for two or more years and that continue to operate according to "generally accepted agricultural practices".

"Agricultural operations" include facilities and their appurtenances for the production of crops, livestock, poultry, dairy products, but not a facility primarily engaged in processing agricultural products. An agricultural operation is not a nuisance if it is operating according to "generally accepted agricultural practices", located in an agriculturally zoned area, and complies with the provisions of all applicable federal and state statutes and rules or any issued permits for the operation. Some animal operations are exempt from the right-to-farm law protection, such as an animal feedlot facility with a swine capacity of 1,000 or more animal units or a cattle capacity of 2,500 animals or more.

PURCHASE OF DEVELOPMENT RIGHTS AND TRANSFER OF DEVELOPMENT RIGHTS

During the 1997 legislative session, the Minnesota Legislature adopted amendments to the planning and zoning enabling laws for counties and municipalities which authorize local adoption of provisions for "purchase of development rights" and "transfer of development rights" programs. "Purchase of development rights" is authorized in the form of conservation easements, which are authorized under Minnesota Statutes, Chapter 84C.

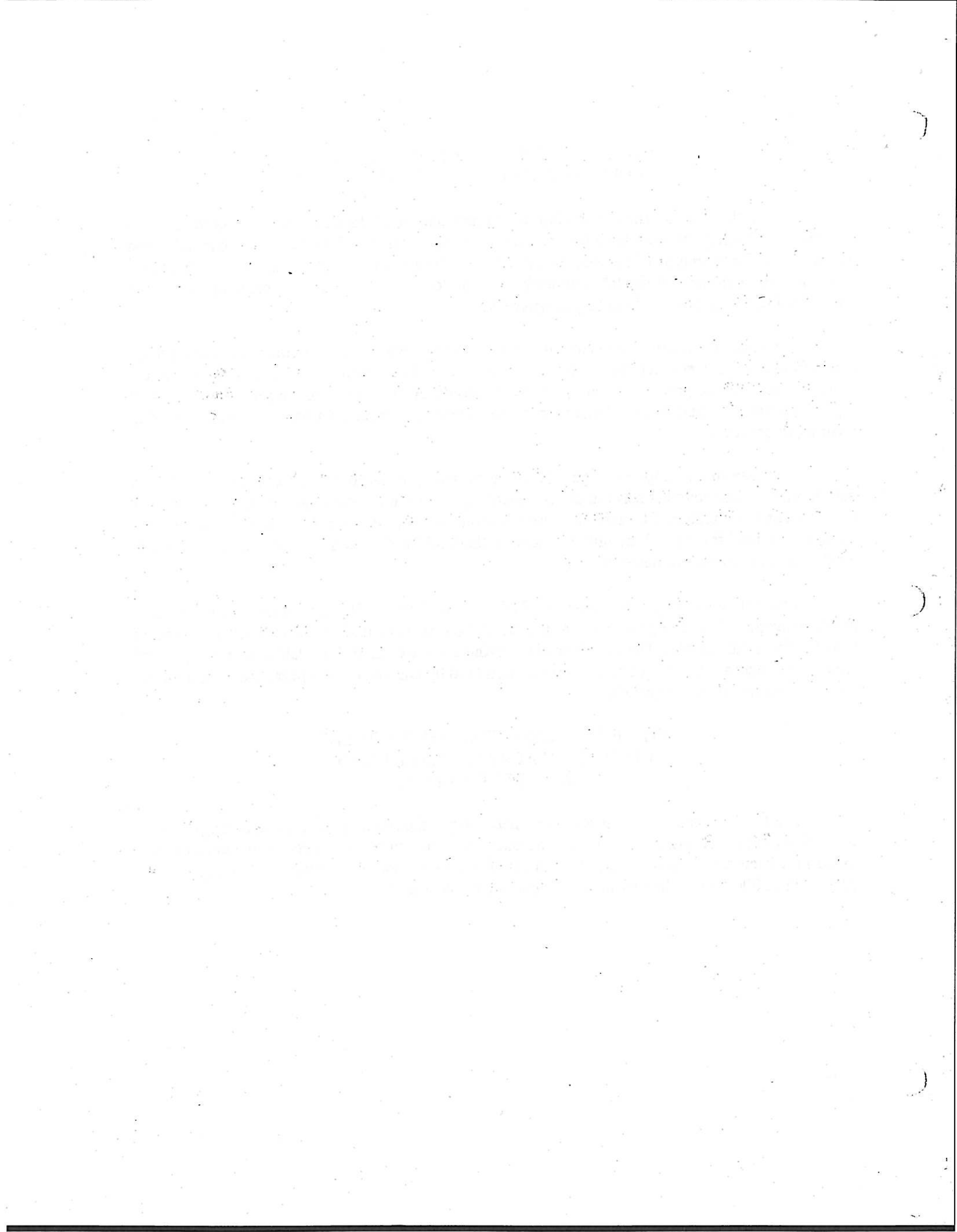
A conservation easement is a voluntary and permanent transfer of specified development rights from a landowner to a public or private organization. The easement is a restriction on a parcel of land, recorded as part of the land and deed records of the court. A conservation easement typically prevents development of land for residential, commercial, or industrial uses, while allowing farming to continue.

Purchase of development rights (PDR) programs pay farmers to protect their land from development. Landowners sell the development rights to a local government agency or private conservation organization. The agency or organization usually pays them the difference between the value of the land for agriculture and the value of the land for its potential use, which is generally residential or commercial development.

Transfer of development rights (TDR) programs allow landowners to transfer the right to develop one parcel of land (referred to as the "sending area") to a different parcel of land (referred to as the "receiving area"). The sending and receiving areas are generally established through local zoning ordinances. TDR programs can protect farmland by shifting development from agricultural areas to areas planned for growth.

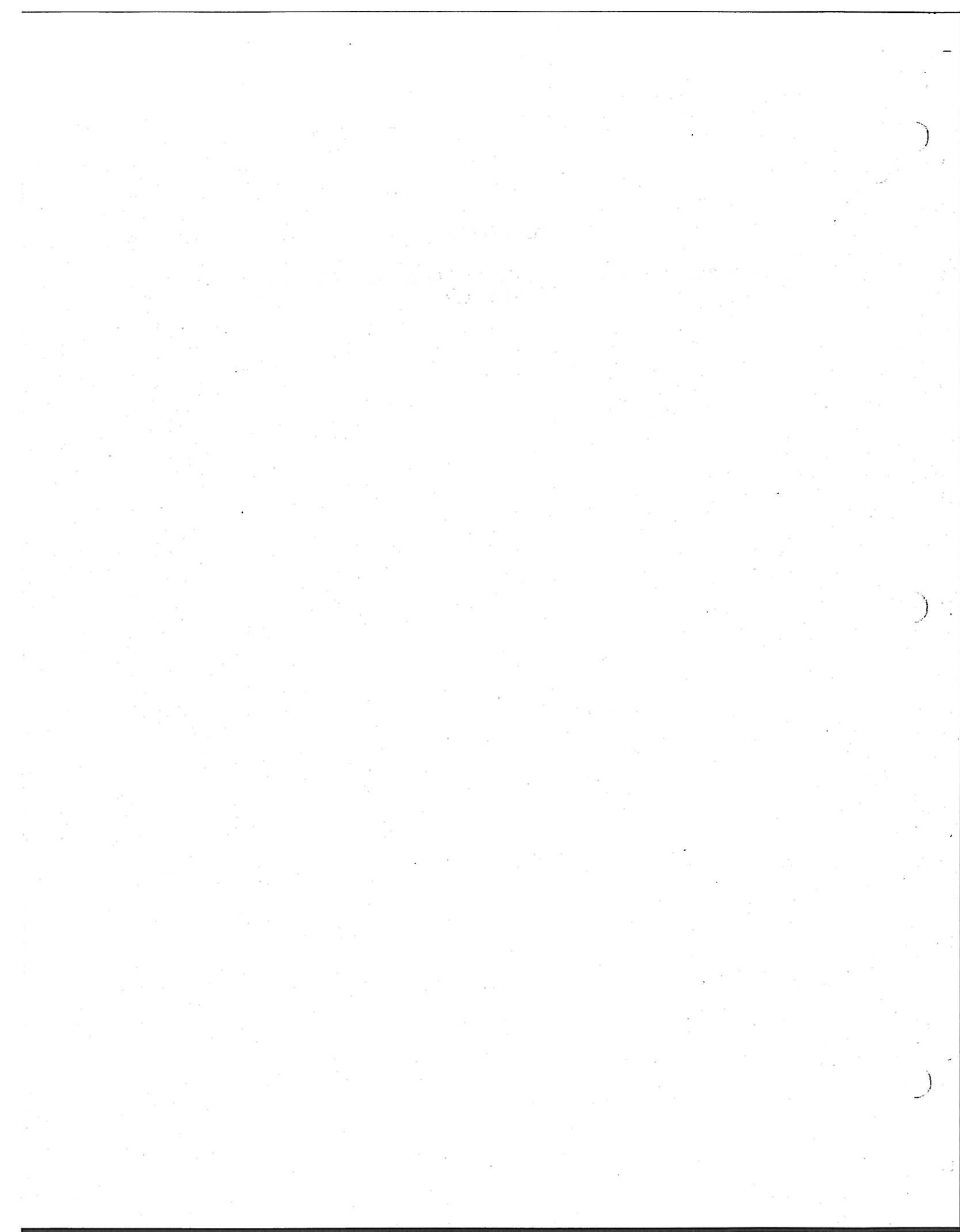
NOTICE OF RESIDENTIAL DEVELOPMENT ON CERTAIN AGRICULTURAL LAND (MINN. STAT. §394.305)

The 1997 Legislature also adopted an amendment to the county planning and zoning enabling law which requires provision of notice of a permit to construct four or more residential units on land zoned for agriculture (or agricultural land in counties without zoning) to owners of all agricultural land within 5000 feet of the perimeter of the proposed development.



SECTION IV

**ANALYSIS OF MINNESOTA AGRICULTURAL LAND PRESERVATION
PROGRAMS**



ANALYSIS OF MINNESOTA AGRICULTURAL LAND PRESERVATION PROGRAMS

Introduction

In the past three decades, a total of 16 states have enacted agricultural districting programs. All these programs have included provisions to encourage farmers to enroll their farm land in plans designed to sustain agriculture as the dominant land activity. It is estimated that a little more than 31 million acres of agricultural land have been enrolled in agricultural districts. This represents approximately six percent of the total of 508 million acres of cropland (382 million acres) and pasture land (126 million acres) in the United States identified by USDA's 1992 National Resources Inventory.¹

The primary focus of the present Section IV is to evaluate one of these 16 state programs, The Minnesota State Agricultural Land Preservation Program ("The Statewide Program") enacted in 1984. The evaluation of the Statewide Program will be made in Part I, in conjunction with and following a review of the Metropolitan Agricultural Preserves Program ("The Metro Program"). Part II will review other related agricultural preservation programs that are used or might be used in Minnesota, to wit:

- (1) agricultural zoning
- (2) the Green Acres Program (Minnesota Agricultural Property Tax Law)
- (3) transfer of development rights
- (4) purchase of development rights

The evaluations presented in Section IV incorporate findings and conclusions of county comprehensive land use plans, summary results of the stakeholder interviews as reported in Appendix B, and such other pertinent information as has been acquired. Where instructive comparisons or references will also be made to counterpart agricultural preservation programs in other states. The present section is intended to serve as a background setting for subsequent findings, conclusions and recommendations contained in Section V, the final section of this report.

Part I:**The Metropolitan Agricultural Preserves Program (1980) [The Metro Program]****A. Background**

As recounted in Section II, A National Overview, New York and Minnesota were two of the early states to enact agricultural districting legislation; New York in 1971, was the very first to do so and Minnesota enacted the Metro Program in 1980.² It is interesting to revisit the views of the officials involved in passing these respective laws in so far as they reflect differing attitudes at the time. New York officials in 1971 had an almost defensive view of initiating district programs; they appeared content simply to preserve a somewhat favorable environment for farming:

"Agricultural districts are not a preservation tool per se. They are not out to preserve agriculture forever. They are just trying to make it more feasible to remain in farming." (An officer of the New York Department of Environmental Conservation).³

"Districts help to facilitate the coexistence of farming and non-farming. They give farmers the option of continuing to farm if they want to. We'll make sure they won't be taxed or regulated out of existence." (One of the authors of the New York Agricultural District Program)⁴

By the time Minnesota was preparing to enact the Metro Program it was clear that those involved entertained a longer-term, more proactive view of the purposes of agricultural land preservation and the integrated role it should play in overall growth planning and management. In 1979 the Rural Area Task Force (RATF) reported to the Twin Cities Metropolitan Council that agricultural land in the seven county region should be preserved for the following cumulative reasons:⁵

- The majority of the farmers in the Metropolitan region were committed to farming.
- Much of the farm land was highly productive.
- Farmers had substantial capital investments in their farms.
- Much of the farm land had been carefully managed for productive farm use.
- Most of the land was not needed for urban development since there was more than enough land in the Metropolitan Services Area (MUSA) to support future development needs.

The members of RATF also felt that uncertainty about the future of agriculture was a significant factor in the decline of farming in the region. The Task Force noted a number of manifestations of this uncertainty for agriculture including:

- The postponement of farm management practices.
- The reluctance of heirs to take over farms.

These findings formed the background to enactment of the Metropolitan Agricultural Preserves Act in 1980, with the State Agricultural Land Preservation Program being enacted four

years later in 1984.

More specifically, enactment of the Metro program was a reaction to the finding of RATF that agricultural land was being steadily lost in the metropolitan region. The data showing the loss of agricultural land at that time came primarily from Agricultural Census information which showed that the acres in land in farms in the seven county metro region had been reduced by approximately 160,000 acres from 1964 to 1974. At that time, Agricultural Census data was the major source of information relating to the reduction in agricultural land use.

However, it should be pointed out the Agricultural Census data is prepared from a mail survey to land owners and therefore is subject to interpretation in terms of its accuracy as to the actual number of acres of agricultural land converted to non-agricultural uses. The Agricultural Census was not designed to specifically measure agricultural land converted to urban uses. But Agricultural Census data does show trends in terms of changes in land use. Consequently, it is a very valuable data set.

USDA's Natural Resources Conservation Service conducts what is known as the National Resources Inventory (NRI) every five years. In an earlier section of this report, it was noted that the NRI showed that the state of Minnesota lost 240,000 acres of cropland to urban uses during the time period from 1982 to 1992. The NRI is a snapshot of resource conditions throughout the United States and relies on a series of sample sites in which specialists and field personnel make specific observations at a selected location. Among other information collected at these sample sites is data relating to the conversion of cropland, pasture land, woodland and range land to non-agricultural uses. The 800,000 sample sites nationwide make the NRI statistically reliable to the national, regional, state and sub-state level.⁶

An analysis conducted by extension, university and resource inventory specialists showed the following decreases in agricultural land in the seven county metro region from 1982 to 1992 using NRI data:⁷

Decreases in Agricultural Land in Metro Region, 1982-1992

County	Acreage Reduction 1982-1992
Anoka	2,900
Carver	10,000
Dakota	27,200
Hennepin	29,100
Ramsey	8,700
Scott	10,700
Washington	11,600
Total:	100,200

Source: Farmland Loss: A New Measure Sheds New Light, Minnesota Agricultural Economist, Spring, 1996

However, this reduction in acreage in agricultural land included pasture and forest land as well as cropland. The analysis discussed above showed that the NRI data estimated that the acreage of cropland converted to urban uses from 1982 to 1992 was 59,400 acres.⁸ Therefore, in this ten year period the most reliable data showed a continuing trend of cropland being converted to residential and other urban uses in the Metro region. It should also be noted that Hennepin County, the most urbanized county in the Metro Region, showed the highest cropland loss over the ten year period. The data from the most recent NRI conducted in 1997 will be available later this year.

B. Summary Benefits and Requirements of Metro Program

The Metro Program as enacted in 1980 limited eligibility to landowners within the seven city metropolitan area immediately adjacent to the Twin Cities area. The counties that comprise this area are indicated in Table B hereafter. The program is administered by the Metropolitan Council. The Department of Agriculture has only supervisory duties with respect to the seven-county Metro Program, but does receive annual reports from the Council. The Department of Agriculture has direct responsibility for agricultural land preservation in the remainder of the state of Minnesota.

Principal Features of the Metro Program:

- 1) **Definition:** Agricultural districting is defined as the designation of specific tracts of agricultural land to be granted certain benefits and assurances to enhance conditions for farming. The Metro Program provides a number of such benefits and assurances with respect to agricultural preserves.

- 2) **Benefits and Assurances Provided Participants:**

- **Property Tax Credit:** Landowners participating in the land preservation program receive a minimum of \$1.50 per acre conservation credit for all land enrolled in the program. The credits in the Metro Program are based upon a formula which taxes metropolitan area preserves at a rate equal to 105% of the previous year's average statewide township tax rate. The difference between this tax rate and the local community tax rate equals the conservation credit or \$1.50 per acre, whichever is greater.

Tax credits supporting the Metro Program are funded through mortgage registrations and deed transfers. Each of the counties participating must levy a \$5.00 fee for all mortgage registrations and deed transfers. The counties retain \$2.50 from each transaction to support local preservation efforts. The balance of revenues (\$2.50) is forwarded to the state conservation fund.

The Metro Program includes a guarantee provision that if the conservation fund is insufficient to cover the tax credit, then funds will be appropriated from the state general fund.

- **Differential Assessments:** Agricultural land is assessed according to its value for agricultural production rather than its market value for development purposes.
- **Prohibition of local governments from enacting ordinances or regulations that restrict or regulate normal agricultural practices.**
- **Limitations on annexation proceedings affecting agricultural preserves.**
- **Eminent domain proceedings are limited and subject to public and administrative review.**
- **Benefits from public sanitary sewer systems, water systems, roads and drainage systems are prohibited in agricultural preserves. Land in a preserve may not be assessed for public projects built in the vicinity of the preserve-covenanted property unless the project is necessary to serve land primarily in agricultural use or the owner of the land chooses to use and benefit from the project.**

- 3) Prerequisites for Government Participation: In order to take part in the Metro Program and receive the benefits, a county or local unit of government must adopt:
 - Agricultural land preservation plan and land use controls
 - Agricultural zoning regulations that restrict non-farm development in areas designated for long-term agricultural use. These agricultural zoning requirements allow one dwelling unit per 40 acres.
- 4) Prerequisites for Landowner Participation: In order to take part in the Metro Program and receive benefits, a landowner must agree to place an agricultural preserve restrictive covenant on his or her land which:
 - Restricts the land's use to only agricultural or forest uses.
 - Follows with the land if it is sold or otherwise conveyed.

The agricultural preserve may be terminated by either the landowner or local unit of government but the termination process requires eight years before the agricultural preserve covenant expires.

C. Experience Related to the Metro Program

The Metropolitan Agricultural Preserves program was created to prevent the premature conversion of agricultural land to non-farm uses in the Twin Cities Region. Thus the program established tax and other incentives in exchange for keeping land in agriculture in the most rapidly urbanizing area of the state.

In addition to rapid urbanization, property taxes were also steadily increasing in the metropolitan area. The concept of the preservation program was to offer a tax rate to metropolitan farmers that was comparable to statewide township averages. The combination of land speculation and higher taxes increased the risk of farm loss in this high growth area.

The funding mechanism of the Metro preservation efforts has remained solvent for the number of counties that have utilized the program. Funding is subsidized, however, by larger participating counties which have lower agricultural land enrolled in the program.

Hennepin County, for example, contributed approximately \$69,000 (half of the total \$5.00 transaction fee revenue) to the State fund in 1997. The county's conservation credits to landowners was only \$21,070, which was easily covered by the county's \$69,000 share of revenues. Ramsey County generated approximately \$60,000 for the State fund in 1997, even though it has no landowners enrolled in the program.

On the other hand, Carver County generated \$13,700 for the State fund in 1997, while requiring \$154,488 in conservation credits for participating landowners. This resulted in a draw from the State fund of approximately \$140,000. Similarly, the three counties participating in the statewide preservation program contributed \$25,815 to the State fund, while requiring nearly \$234,000 in conservation credits in 1997, equating to a draw from the State fund of approximately \$208,000.

Table A sets forth the basic figures available to measure participation in the Metro Program from its first year of activity in 1982 through 1997.

Table A: Metropolitan Agricultural Preserves Program Participation: 1982-1997

Years	Acres Certified Eligible	Acres Enrolled with Covenants	Conservation Credit Per Acre	Percent Enrolled	Acres Pending Expiration	Conservation Credits
1982	483,905	61,817		13%	10,720	
1983	696,960	88,468	1.41	15%	16,011	\$125,054
1984	554,771	138,870	2.45	25%	39,812	\$340,215
1985	601,333	160,129	2.44	27%	49,450	\$390,855
1986	592,010	175,813	3.70	30%	63,972	\$650,582
1987	609,485	178,144	2.71	29%	60,991	\$482,676
1988	610,186	178,656	1.25	29%	62,967	\$223,623
1989	611,194	180,450	0.24	30%	66,397	\$43,684
1990	611,468	175,641	0.26	29%	62,541	\$45,885
1991	592,958	178,748	0.30	30%	64,269	\$52,851
1992	593,211	175,079	0.62	30%	63,363	\$108,162
1993	558,117	163,775	1.98	29%	48,507	\$325,037
1994	559,483	193,586	1.50	35%	70,383	\$288,808
1995	523,497	196,421	1.76	38%	74,546	\$346,662
1996	504,701	198,247	1.55	39%	75,530	\$306,943
1997	505,394	201,927	1.51	40%	73,582	\$305,076

Notes: 1. 1992 USDA Census of Agriculture identified total land in farms in the metropolitan area as 762,838 acres.

2. Minimum conservation credit of \$1.50 per acre was effective 1993

3. Maximum credit during program occurred in 1986 (\$3.70/acre).

Source: Metropolitan Council - Agricultural Preserves Program Status Reports, 1982-1997.⁹

Table A provides our best insight into the dynamics of participation in the Metro Program from its inception in 1982 through 1997. The table illustrates the eligible acreage (qualified by planning and zoning under Metro), enrolled acreage with covenants (eligible land with agricultural preserve covenants), conservation credit per acre, percent of eligible acreage enrolled, acreage pending expiration (eligible land for which withdrawal notice has been given), and annual total conservation credits.

As Table A indicates, participation in the Metro program can be measured or analyzed on a number of different levels. The data shown must be examined within the context of other information available on the program. No totally clear conclusions can be drawn from this data due to the many variables involved. However, there are some apparent relationships between acres enrolled and eligible, the value of the conservation credit and acres pending expiration.

(1) Acres Certified Eligible:

Large Fluctuations in the Beginning

The number of eligible acres has grown a total of 21,489 since the inception of Metro through 1997, but Table A indicates that there has been considerable fluctuation over the 16 year time period. For example, the number of acres certified eligible apparently increased dramatically early on from 1982 to 1983, increasing by 213,055 to a total of 696,960 acres, an increase of more than 44% in just one year.

Reporting and Recording Errors

The annual summary of acres certified eligible for participation is a function of "reporting" by participating communities and "recording" by the Metropolitan Council. Eligibility is based on the amount of land illustrated in a local comprehensive plan, which is designated at a maximum density of one house per forty (1:40) acres. The amount of eligible acres is subject to interpretation and estimation by the local community and/or by the Metropolitan Council. Once the estimate of acreage was determined, the data was recorded.

Over-estimates and Data Interpretation

Metropolitan Council staff have indicated that there were problems in interpreting and recording the data in the early years of the program, which is to be expected with a new program. It appears that some over-estimates were made because of recording some of the data twice. The data since 1984 is reported to be far more accurate, but remains subject to interpretation and recording.

Comprehensive Plan Updates

During the early 1990's, some communities were updating their comprehensive plans. All metropolitan area communities had prepared comprehensive plans in the 1979-1982 period, as required by the 1976 Metropolitan Land Planning Act. These plans were ten years old by the early 1990s and became subject to voluntary modifications. It is possible that this early round of plan modifications may have resulted in a partial reduction in the acres certified eligible during this period.

Changes in Agricultural Zoning Densities

Metropolitan Council staff have also noted that several communities in Hennepin County and Scott County modified their comprehensive plans in the mid 1990s, which did result in reductions in the acres certified eligible. These communities increased residential densities from 1:40 to 1:10. These decisions were reported to allow rural development options, but not to prohibit or discourage participation in the agricultural preserves program.

In Last Few Years, Certified Eligible Acreage Has Levelled Out

The foregoing observations may explain the larger variations in amounts of eligible acres. If one takes into consideration the fluctuations due to recording difficulties, updating of comprehensive plans, and some rezonings such as in Hennepin and Scott counties, it would appear that eligible acreage has, in fact, been relatively stable.

(2.) Acres Enrolled with Covenants and Conservation Credit Received Per Acre of Land Enrolled

High Level of Conservation Credits In Early Stages of Program

When the first acres were enrolled with eight-year covenants in 1982, the participation was 61,817 acres or about 13% of the acres certified eligible. Thereafter, the number of acres enrolled increased steadily going from 88,468 acres in 1983 to 138,870 acres in 1984 and then grew to 175,813 acres in 1986 which represented approximately 30% of the acres certified eligible. At the same time, the conservation credit that the landowners received per acre increased steadily as well. Starting at \$1.41 per acre in 1983, the credit received per acre increased from \$1.41 per acre to a high water mark of \$3.70 per acre in 1986. The conservation credit at that time was based on a formula which taxed metropolitan agricultural preserves land at a rate equal to 105% of the previous year's average statewide tax rate. The difference between this tax rate and the local community tax rate equaled the value of the conservation credit. During this time period, the tax rate in the metropolitan region was higher than the statewide average which generated an increasingly higher conservation credit for the landowners enrolled in the program.

Significant Reduction in Credits in Late 1980s

By 1988, the average statewide township tax rate began to increase which, in turn, reduced the conservation credit amount appreciably. The conservation credit dropped to \$1.25 per acre in 1988 and then dropped ever further to just \$0.26 per acre in 1990 and \$0.30 per acre in 1991. The credit rate increased to \$0.62 per acre in 1992 -- a value of just 17% of what it was at its high point in 1986. A landowner

with 300 acres in 1992 would have received a conservation credit of \$180 as compared to \$1,110 in 1986, a significant difference.

Relationship to Acres Enrolled and Conservation Credits

It is reasonable to find that this reduced economic incentive affected the acreage enrolled as there was a corresponding drop-off of 11,304 acres enrolled between 1992 and 1993. In 1992, the state legislature responded to the significant decrease in conservation credits received per acre by amending the Metro Preserves Act to establish a minimum conservation credit of \$1.50 per acre. Hence, the credit increased to \$1.98 per acre in 1993 and by 1994 enrollments had increased to 193,586, an increase of almost 20,000 acres over the 1993 level of 163,775 acres. This steadying of the conservation credit amount seems to have had a relationship to the acres enrolled. The acres enrolled increased in 1994, 1995, 1996 and 1997 by a total of 8,341 acres to the 1997 level of 201,927, the highest enrollment of the program's existence.

(3) Acres Pending Expiration

Signing In and Signing Out

Landowners have the right to file an expiration notice as soon as they have enrolled their land in the eight-year covenants. They then have the right, but not the obligation, to withdraw from the program eight years later. Local county officials who administer the program often referred to this process as "signing in" and "signing out". A county official interviewed as part of the Stakeholder Survey noted that it was easier to sign out than enroll in the program from an administrative point of view.

Trends in Expirations

Expiration notices grew regularly from the first year of enrollments in 1982 through 1989 when they covered 66,397 acres, or about 37% of acres enrolled. Since that time the percentage of acres pending expiration has basically held steady.

Relationship Between Withdrawal from the Program and Conservation Credit

However, a relationship seems to exist between the amount of the conservation credit and the acreage that withdraws from the program at the end of eight-year concurrent periods. When the conservation credit reached very low levels during 1989 through 1993, some landowners withdrew from the program as the number of acres enrolled dropped from 180,000 to 163,775. Acres pending expiration also dropped from

66,397 to 48,507, most likely reflecting acreage that was withdrawn from the program in 1993. Following restoration of the minimum conservation credit to \$1.50 per acre in 1993, the amount of acres enrolled increased by 30,000 and has gone up steadily ever since. The acres pending expiration have remained in the 75,000 acre range since 1995.

General Observations:

The Metro Program does in fact appear to have been influential in attaining the preliminary goal of "agricultural zoning", otherwise identified in Table A as "acres certified eligible" in the Metro Program. Although some counties had initiated agricultural zoning prior to 1980, the passage of the Metro Preserves Act seemed to encourage and buttress greater zoning efforts as discussed below.

The 1992 USDA Census of Agriculture calculated the total farmland in the metropolitan region was 762,838 acres. Table A indicates that in the very first year of operation of the metro program, 483,905 acres -- or over 63% of the total farm acreage -- was "certified eligible" or "zoned." The following year, 1983, an all time peak of 696,960 "certified eligible" acres was reached or 91% of total farm acreage. Since 1983 and through 1997 the percentage has remained fairly stable, fluctuating only between a low of 73% in 1984 and a high of 80% in 1990. The last year for which figures are available, 1997, 66% of total land was "certified eligible" or zoned for agricultural uses.

Clearly the Metro Preserves Program as implemented in 1980 served as one of the strong incentives for the townships and counties of the metropolitan region to initiate or at least retain agricultural zoning ordinances and with salutary consequences. An example is the case of Dakota County. The County has been subject to, and indeed continues to experience, intense urban growth pressure in the Twin Cities Metropolitan Region. A major loss of farm land occurred in the county from 1950 to 1977.¹⁰ By 1982, just two years after the enactment of Metro all 13 townships in Dakota City had passed zoning ordinances. Although the county has lost agricultural land since the 80's, those losses have been contained. The Metro Program requirement of implementing agricultural zoning has clearly steadied the decrease in farmland loss to non-agricultural uses.

Areas identified as rural and permanently agricultural in the late 1970's are generally the same in the late 1990's. The majority of unincorporated areas in Carver County and Dakota County have been planned and zoned at residential densities of one dwelling per 40 acres for the past 20 years. The largest concentration of agricultural land in the region has been preserved in these counties, while the region continues to grow.

"Acres enrolled with covenants" displayed in Table A is a measure of direct participation by landowners, as contrasted to government participation by certifying or qualifying land. Once land has been qualified as eligible, the decision then rests with individual landowners as to whether they wish to actually enroll their land, thereby subjecting it to an 8 year covenant of exclusively

agricultural use in return for conservation credits and the other benefits provided by the Metro Program. This decision is a highly personal one, requiring a landowner to weigh many interrelated factors, including the monetary value of the property tax credit, the farmer's expectations about farming income, and the revenue he or she could receive as a result of selling land free of use encumbrances, either now or in the future. Of course, non-monetary values are also deeply involved, such as attitude towards planning and growth management (government intervention) in general.

Table A shows that from the outset much more land has been made eligible, or zoned, for agricultural preserves protections under the Metro Program than has actually been converted by landowners into enrolled districts. The percentage of land enrolled (i.e., the percentage of the eligible land that was actually enrolled or covenanted by landowners) has fluctuated between 13% during the first year of the Metro Program and 40% in 1997. Table B shows that the percentage of eligible land enrolled in the six separate participating counties of the metro region (no land has ever been certified eligible or enrolled in Ramsey County) in 1997 varied widely between 15% in Scott County and 89% in Anoka City. The agricultural zoning adopted by Dakota townships as a prerequisite to eligibility for the Metro Program covers 203,399 acres, or three times the agricultural land acreage actually enrolled in the program.

Table B
Metropolitan Agricultural Preserves
1997 County Program Participation

Counties	Acres Certified Eligible	Acres Enrolled with Covenants	Percent Enrolled	Acres Pending Expiration	Conservation Credits
Anoka	3,288	2,723	89%	719	\$4,080
Carver	194,645	101,651	52%	44,420	\$154,488
Dakota	203,399	64,219	32%	20,030	\$95,870
Hennepin	33,381	13,876	42%	3,792	\$21,070
Scott	55,533	8,558	15%	3,293	\$13,231
Washington	15,148	10,900	72%	1,328	\$16,337
TOTAL	505,394	201,927	40%	73,582	\$305,076

- Notes: 1. No land has ever been certified eligible or enrolled in Ramsey County.
2. 1992 USDA Census of Agriculture identified land in farms in Metropolitan area as 762,838 acres.

Source: Metropolitan Council - Agricultural Preserves Program Status Reports, 1982-1997¹¹

An Individual Decision

It is clear that simply having land made eligible through zoning ordinances under the Metro program is not sufficient, in and of itself, to entice farmers to enroll. Rather they must be convinced, on a case-by-case basis, that the basket of benefits offered by Metro (including the conservation credits) is sufficient to be in their long-term interest. Apparently, the non-monetary benefits of landowner participation in Metro, such as limitations on annexation and eminent domain proceedings and protection from local ordinances or regulations that constrict or regulate normal agricultural practices, although important, do not have as direct an influence on landowner participation as does the amount of the conservation credit. Whatever the relative importance of the components of the Metro Program benefit basket, the fact is that by far more eligible land under the Metro Programs has been withheld by farmers than has been enrolled.

Education and Outreach Important

Promotion and education for metropolitan area agricultural land preservation is largely a function of local units of government. While the Metropolitan Council, several counties and several municipalities promoted agricultural preserves in the early and mid-1980's, there has been little

promotion or education concerning the Metro Program in the past 10 to 15 years. A revival of issues regarding long-term agricultural land preservation is occurring within the metropolitan area as communities update land use plans and official controls consistent with the Metropolitan Council's Regional Growth Strategy. Given the overall need to explain the benefits of the program to landowners, educational outreach is an important ingredient in potentially increasing enrollments. As discussed later on in this report, New York State's experience with educational efforts at the local level has been beneficial in increasing enrollment in that State's districting program.

The Minnesota State Agricultural Land Preservation Program (The Statewide Program)

A. *Background*

In 1984, four years after passage of the Metro Program, Minnesota continued its leadership in agricultural districting programs by passage of The Agricultural Land Preservation Policy Act. This new program expanded agricultural districting statewide. Eligibility is accorded to all counties in Minnesota, except the seven county metropolitan area served by the Metro Program. As we have noted, by far the greatest concentrated pressure for the urbanization of farm land exists in the Twin City Metro Region. The rest of the state has varying levels of urbanization, but generally less than the Twin Cities area.

The Department of Agriculture has provided Greater Minnesota counties with ongoing technical assistance in the areas of planning and zoning for agricultural land preservation and feedlot planning. The Department has published and distributed handbooks on land preservation feedlot controls and held statewide workshops on agricultural planning and zoning issues. However the Minnesota legislature has not provided funding for local assistance grants since the original agricultural preserves pilot program was established in 1984.

B. *Principal Features of the Statewide Program*

The Statewide Program is similar to the Metro Program in the following overall ways:

- both have the purpose and goal of agricultural land preservation
- both contain prerequisite requirements of local jurisdictions for local planning and zoning mechanisms to protect agriculture
- both require contracts or covenants from landowners to enroll land in the program
- both provide financial incentives, among other benefits, to induce participation by landowners

Summary of Specific Provisions of Statewide Program (Comparison References are to the Summary of Metro Program Provisions)

- 1) Definition of Purpose of Agricultural Districting (essentially same as Metro Program)
- 2) Benefits and Assurances Provided Participants:
 - Property tax credit: A flat \$1.50 per acre per year property tax credit. (Differs from adjustable rate with minimum offered by the Metro Program).
 - Funding: Funded through fees on mortgage registrations and deed transfers, essentially as with the Metro Program; however, there is no provision that in the event of a shortfall, funds will be appropriated from the general fund.
 - Prohibition of local governments from enacting ordinances or regulations that restrict or regulate normal agricultural practices (essentially the same as Metro Program).
 - Limitation on Annexations: (Essentially the same as in Metro Program)
 - Eminent Domain: (Essentially the same as Metro Program)
 - Public infrastructure: (Essentially the same as Metro Program but Statewide Program does not exempt the assessment of roads.)
- 3) Prerequisites for government participation: In order to take part in the Statewide Program and receive the benefits, a county must adopt:
 - An agricultural land preservation plan and land use controls (essentially the same as Metro Program).
 - Agricultural zoning regulations that restrict non-farm development in areas designated for long term agricultural use (essentially the same as Metro Program but no formal requirement that zoning be one dwelling unit per 40 acres).
- 4) Prerequisites for landowner participation:
 - In order to take part in the Statewide Program and receive benefits, a landowner must agree to place an agricultural preserve restrictive covenant on his or her land which:
 - Restricts the land's use to only agricultural or forest uses (essentially the same as Metro Program). But note that property tax credit is withdrawn immediately upon notice of expiration under the Statewide Program. This constitutes an important

difference from the Metro Program, where the landowner continues to receive the property tax credit after notice of expiration.

- Follows the land if it is sold or otherwise conveyed (essentially the same as Metro Program).

C. *Experience Related to the Statewide Program*

Upon the enactment of the Statewide Program in 1984, the Minnesota Department of Agriculture, in a pilot program, made financial assistance available to counties that were interested in implementing the program to help with start up costs. While there were several pilot counties that examined the program, ultimately the counties of Waseca, Winona, and Wright took advantage of this funding assistance. Participation in the Statewide Program remains limited to the three initial counties. Approximately 156,000 acres have been covenanted (enrolled) in those three counties out of a total potential eligible acreage (i.e., zoned to 1/40) of 979,000 acres..

Table C. County agricultural preserve covenants (number of covenants and acres under covenant.) Minnesota Agricultural Land Preservation Program

Year	Waseca		Winona		Wright		Totals	
	Covenants	Acres	Covenants	Acres	Covenants	Acres	Covenants	Acres
1988	160	25,712	0	0	0	0	160	25,712
1989	61	7,236	8	2,207	47	5,478	116	14,921
1990	850	68,074	1	543	25	2,368	876	70,985
1991	6	514	5	883	71	906	82	2,303
1992	25	2,079	96	22,753	1	62	122	24,894
1993	12	808	6	1,844	6	394	24	3,046
1994	8	7,669	6	2,877	0	0	14	10,546
1995	5	574	5	1,127	12	617	22	2,318
1996	5	558	0	0	0	0	5	558
1997	5	552	0	0	3	156	8	708
Totals	1,137	113,776	127	32,234	165	9,981	1,429	155,991

Source: January, 1999 Telephone Survey of Counties Participating in the Minnesota Agricultural Land Preservation Program¹²

The three counties implementing the registration and transfer tax had a total in 1997 of 10,326 transactions. At \$5.00 per recording, this generates \$51,630. At a straight \$1.50 per acre credit, the total subsidy for the statewide agricultural preserve was \$233,987. Thus, in 1997, the number of mortgage and deed transactions, the fee for the transactions, the number of acres enrolled in the preservation programs and rate of the conservation credit created a negative revenue balance in excess of \$180,000.

As demonstrated in Appendix A, Future Funding Analysis, changing any of the variables above will have a further impact on the stability of the program. A drop in mortgage and deed registrations, an increase in the number of acres enrolled, or an increase in the rate of the tax credit would result in greater revenue shortfalls. On the other hand, participating counties that have a high growth rate will tend to produce a revenue surplus, or at least a smaller revenue deficit, than participating counties with a lower growth rate. This would be so, provided enrollment is basically stable, because the number of mortgages and deed recorded are higher where there is stronger growth.

Perhaps as a result of "variables" such as this, in addition to the fact that the Statewide Program does not have the guarantee of the use of general funds as does the Metro Program, low confidence in the long-term-funding of the Statewide Programs has interfered with statewide expansion. According to the Department of Agriculture, Douglas County and Kandiyohi County withdrew their candidacy from the state pilot program because of concerns of long-term funding stability. Rice County evaluated program participation in 1992, but declined for the same reason. In an interview with the participating counties, it was pointed out by one county official that keeping track of the enrolled acreage was a difficult administrative task given the limited planning staff available at the county level.

Diversity of Counties Outside the Metro Region

As part of the review of the Statewide Program, it is useful to examine the diversity of growth pressures, agricultural preservation efforts and other factors in counties outside the metro region. Three counties were selected to highlight this diversity in the statewide region.

We have noted that the seven counties served by the Metro Program have at least one uniform characteristic in that they are all part of the rapidly growing Twin Cities area. An examination of three representative counties outside the Twin Cities area, in contrast, demonstrates the diversity of status, attitudes and growth situations that challenge the Statewide Program as it attempts to attract and to expand agricultural districting into other Minnesota counties.

Nicollet County

Nicollet County, located in South Central Minnesota, currently has 241,930 acres remaining in agricultural land use.¹³ Data from the county comprehensive plan show that since 1959 only 1063 acres of agricultural land were converted to non-agricultural use. Thus although the county is

located about one hour's driving time southwest of the Twin Cities Metro Region, Nicollet has experienced the steady to low growth more often associated with a rural county, and agriculture remains as one of the primary economic contributors to the business sector of the county. The county implemented an agricultural zoning ordinance in 1985, allowing one dwelling unit per 40 acres.¹⁴

Although Nicollet has chosen not to participate in the Statewide Program and is experiencing low growth, it has nevertheless made a strong commitment to the preservation of agricultural land. The county reports that there have been no major rezonings of agricultural land to residential or other non-agricultural uses in the 85% of the land area that has already been zoned for agriculture.

Stearns County

Stearns County is the largest of the three counties examined here, and also one of the largest agricultural counties in Minnesota. But due to its proximity to both the Metro Region and the city of St. Cloud the county is subject to higher growth pressures than Nicollet. Most of this pressure is in the form of rural development in five and 10 acre residential lots.

Stearns County, although under clear growth pressure, recently completed a comprehensive plan. Data from the county plan show that from 1991 to 1995 the average rural residential lot sizes have increased threefold in size, particularly in the eastern townships near St. Cloud.

The following excerpt from this new comprehensive plan of Stearns County reflects the level of concern that exists about the preservation of county agricultural land:

"Agricultural Protection/Viability

*The continued economic viability of agricultural activities was one of the most commonly stated issues in the various meetings. Several different threats to farming were identified, most of which were cultural rather than environmental. As farmlands, or portions of farms, are sold to non-farm residential users, the ability to put adequately sized farm parcels together, owned or leased, becomes a problem. Moreover, the non-farm dwellings demand different levels of services and have differing expectations of the environment than does the farmer. Even at densities as low as one non-farm dwelling per 40 acres, many who commented believed that agriculture was being fundamentally threatened."*¹⁵

Stearns County does not participate in the Statewide Program. However, it is an example of a county experiencing low density rural development that is converting agricultural land to non-agricultural uses incompatible with nearby farming operations. Twenty of the thirty-seven townships in the county have agricultural zoning ordinances with varying density requirements. The county is considering a more comprehensive agricultural zoning ordinance. Currently, there is a platting moratorium in Stearns County in order to slow down temporarily the increase of rural development on five acre or larger lots.

Grant County

Finally we consider Grant County, the most rural of the three non-Metro counties reviewed. Grant County has lost population in the last several years. It is located in the western/central part of Minnesota. The county is not considering the adoption of any agricultural preservation programs nor any planning and zoning at this time, and therefore is not eligible to participate in the Statewide Program.

All three counties, Nicollet, Stearns, and Grant do have one thing in common: none participate in the Statewide Program. Otherwise however they are very diverse with respect to growth/land preservation. To summarize:

Nicollet: low growth pressure but has planning and zoning for agricultural land preservation.

Stearns: high growth pressure/beginning stages of planning for agricultural land preservation.

Grant: limited growth pressure and therefore little focus on agricultural land preservation planning or other growth management devices at this time.

While the Metro Program was addressing a basically uniform area – the most rapidly urbanizing area of the state – the Statewide Program is currently attempting to embrace very diverse counties throughout the entire state – where, it might be stated, “one size will not and cannot fit all.” The diversity of the counties outside the Metro Region would seem to call for districting strategies tailored to their individual situations.

In the same vein, of the three currently participating counties in the Statewide Program, only Wright County is expected to grow appreciably. The Office of Strategic and Long-Range Planning estimates a population increase of 42% in Wright County from 1995 to 2025 compared to a 2% increase in Winona and a 6% decline in Waseca. Wright County is situated between the Twin Cities and St. Cloud. Waseca County and Winona County are not contiguous to the metropolitan area.

Experience with the New York State Agricultural Districting Program (N.Y. Program)

It is useful to compare briefly certain features of the Minnesota Statewide Program with the New York Agricultural Districting Program (the N.Y. Program), a program that has been established since 1971 and has a track record of success, at least as far as the amount of land covered is concerned.

- Both programs have similarities including:
 - limitations on the use of eminent domain;
 - protections against unreasonable regulations that would restrict normal farming

- operations;
 - limits on public investment for non-farm development in districts;
 - agricultural impact statements for public projects in districts.
- The economic incentives provided by the two programs are different, such that:
 - the Minnesota Statewide Program provides for a flat tax credit of \$1.50 per acre per year;
 - the New York State Program provides for "differential assessments" on agricultural land which means land is assessed at its agricultural use value for real estate tax purposes. In this respect, the New York Program is more similar to Green Acres than the Statewide Program .
- Both programs require participating landowners to agree to keep their land in agricultural use for a period of eight years.
- A clear distinction between the two programs is the requirement that local government in Minnesota implement agricultural zoning and planning before landowners can participate in the Minnesota Statewide Program. In New York there is no such requirement.
- In New York State, the agricultural districting legislation creates local agricultural advisory committees made up of farmers, extension agents, soil and water conservation district representatives and other local agricultural interests. The local committee provides:
 - technical assistance to landowners interested in enrolling in the program;
 - educational and promotional efforts to increase landowner awareness of the program;
 - a direct link with the local agricultural community to ensure greater acceptance of the program;
 - assistance to county planning offices in helping to get the program initiated and in easing the extra administrative burden on planning staffs with other land use and natural resource responsibilities;
 - Minnesota, by comparison, has relied upon the state agricultural department to provide technical assistance, educational materials and outreach concerning agricultural land preservation.
- The New York State Program has achieved an important degree of success in its 27 years of operation by enrolling 8.5 million acres or 85% of New York state's agricultural land in the districting program.¹⁶
- A major weakness in the New York state program is that much of the land most vulnerable to conversion to non-agricultural uses located near cities and suburban areas is not enrolled in the program.

New York has adopted a comprehensive and open approach to agricultural districting. The New York State Program, in contrast to that of Minnesota, does not require that agricultural land be zoned at the local level as a condition for landowner enrollment. This open approach, as implemented over time, has led to 85% of New York agricultural land area being enrolled in the system.

On the other hand, New York's program has not integrated local planning with zoning for the preservation of agricultural land. Therefore, if agricultural districts are terminated by landowners, there is no protective instrument in place to prevent the land from being converted to non-agricultural uses. Additionally, the incentives in New York's program have not been strong enough to encourage landowner participation near urban centers.

The most valuable insight to be gained from New York's program may be the creation and direct involvement of local agricultural advisory committees in helping educate landowners on the merit of enrolling in agricultural districts and in assisting in the enrollment process. This feature relieves local planning offices of some of that responsibility and, more importantly, it involves the agricultural community itself in the educational and enrollment process, thereby attaining higher levels of participation.

Michigan Experience

The State of Michigan has an agricultural districting program similar to New York's. This program, the Farmland and Open Space Preservation Program (PA 116) was passed by the state legislature in 1974 shortly after New York had enacted its own program.

The PA 116 program requires landowners to enter into 10 year covenants on their land and has very restrictive conditions for terminating those covenants. In return, landowners receive two primary benefits from enrollments. The landowner is entitled to claim an income tax credit in the amount by which the property taxes on the agricultural land covered by the agreement exceed 7% of household income. In addition, lands enrolled in the program are exempted from special assessments for sanitary sewer, water, lights or non-farm drainage.

Overall, Michigan has enrolled 4.3 million acres in the program since its inception in 1974.¹⁷ Unlike Minnesota's Metro and State agricultural preserves programs, Michigan's program does not require the implementation of agricultural zoning as part of comprehensive land use planning. Therefore, if landowners leave the program, no preservation device is in place to keep the land from being converted to non-agricultural uses. Much of the land enrolled in Michigan's program is not located near existing urban areas where growth pressures are most acute.

Both New York's and Michigan's experience have relevance to findings with respect to the the Statewide Program.

Part II
Other Agricultural Land Preservation / Growth Management Tools As Applicable to Minnesota

This second part of Section IV will examine other agricultural land preservation or growth management tools as they are used, or could be used in Minnesota. Part II deals with the following:

- (1) Agricultural Zoning
- (2) The Green Acres Program
- (3) Transfer of Development Rights
- (4) Purchase of Development Rights
- (5) Right to Farm Laws

Agricultural Zoning

A. Background

The purpose of agricultural zoning is to restrict the use of land primarily to agriculture. Essentially, this is done by limiting the intrusion of new, non-agricultural uses such as housing or commercial development into established agricultural areas. Most agricultural zoning ordinances allow for some non-farm dwelling units in the area zoned for agricultural use. However, densities may be limited to from one dwelling unit per twenty acres to as little as one dwelling unit per 160 acres. The most stringent agricultural zoning ordinances require that any dwelling units be built on small lots leaving most of the land exclusively for agricultural use.

Agricultural zoning can be used in conjunction with compatible agricultural preservation programs such as differential assessments and districting programs similar to the Metro Program and the Statewide Program. Indeed the zoning technique fits well with these other planning and land use programs utilized to manage growth.

However, zoning does not provide permanent protection and can be changed if local government officials decide that residential or commercial development is more advantageous to the land use goals of the jurisdiction. Analysis of many agricultural zoning ordinances that have been in place over a number of years indicates that rezonings of agricultural land to permit other uses or the granting of variances to allow for higher densities of non-farm dwellings are not frequent or widespread.

Overall, zoning has established itself as the most popular and most commonly used preservation technique. We have seen that the NALS study found that 270 county, township, and

municipal jurisdictions instituted agricultural zoning as their primary preservation program during the 1970's. When the American Farmland Trust released its report in 1997, the number of local jurisdictions using agricultural zoning had grown to 700 in 24 states.¹⁸ A 1990 analysis has further demonstrated that almost all of the original 270 local governments that adopted zoning have since strengthened the provisions of their ordinances in order to make them more effective.¹⁹

B. *Experience with zoning in Minnesota*

Large Recent Increase in Agricultural Zoning

Just as in the country at large, the use of agricultural zoning as a major preservation tool has gained widespread acceptance and use in Minnesota. Almost 13.5 million acres of agricultural land in 45 counties is currently covered under some type of agricultural zoning (four counties are between 1:40/1:20 and 41 counties are 1:40 or greater).²⁰ Thus, more than 56% of the agricultural land in Minnesota as identified by the 1992 Census of Agriculture, USDA is zoned. Seventeen counties have implemented agricultural zoning ordinances since 1990 (see Map 1). Clearly Minnesota is at the forefront of states in the nation adopting agricultural zoning.

Many Statewide Counties Follow Metro Density Standards

These Minnesota zoning ordinances range from the allowance of one non-farm dwelling unit per 40 acres for the most part to one non-farm dwelling per 160 acres in a few counties. The standard, however, seems to follow the requirement for 1/40 acre agricultural zoning that was first established in the Metro Preserves Program in 1980. The Statewide Program has no formal 1/40 requirement, but in practice the standard under that program has turned out to be 1/40 as well.

Agricultural Zoning Has Worked in Rural Dakota Townships

We have already discussed the role that the Metro Program has provided in bringing and or retaining zoning to the seven county metro region. Zoning has indeed been the dominating factor in protecting farm land in Dakota County. The 1/40 zoning limitations have worked. In the thirteen rural townships within the county, an average of less than 100 housing units per year have been constructed over the period from 1975 to 1997 (see Table E). This is no more than is allowable under the 1/40 zoning restriction which has been enforced and maintained, and has not been relaxed.

Map I

Agriculture Zoning Survey

Residential Densities

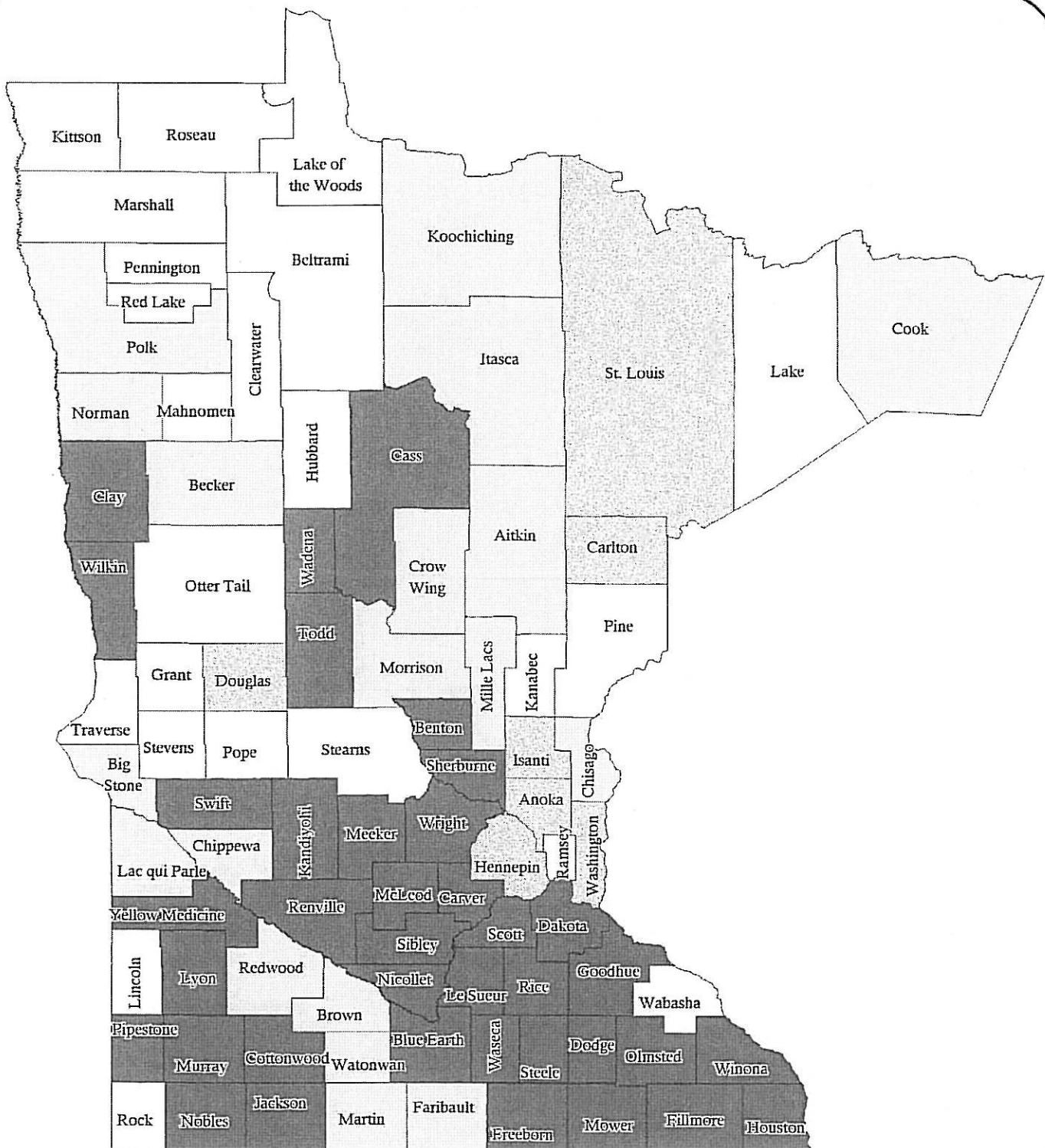




Table D - Dakota County Housing Units

Year	Number of Housing Units
1975	2,313
1980	2,853
1985	3,080
1990	3,317
1995	3,842
1997	4,065

Total Housing units added, 1975-1997: 1,752

Source: Dakota County Assessor's Office

The findings of the American Farmland Trust study confirms the strength of zoning. The study compares the number of building permits approved in Carver County with those approved in Anoka County between 1983 and 1993.²¹ During this period, triple the number of building permits were issued in the rural portions of Anoka county as issued in the rural townships of Carver. Significantly, Carver County implemented 1/40 acre agricultural zoning in the early 1980's in order to ensure that landowners were eligible for the Metro Program. Anoka County communities did not.

Even though landowner participation in the Metro Program has been essentially static in recent years, agricultural zoning has held intact. The question always remains whether or not agricultural zoning will hold in the future. According to the Metropolitan Council, Dakota County, for example, is projected to grow by 140,000 residents by the year 2020. Currently, more than 330,000 residents are concentrated in the northern one-third of the county.²² A total of 26% of Dakota County's land is inside the Metropolitan Urban Service Area (MUSA). The county comprehensive plan notes that in 1995, there were 21,000 acres of undeveloped land inside the MUSA.²³ There is little question that pressure for relaxing the agricultural zoning, particularly in those rural townships bordering the MUSA will become more intense. Although the county does not have zoning authority over the cities and townships, it is committed to preserving its agricultural land base. There have been some conflicts between the Metropolitan Council and the rural townships within the county as the Council recently designated areas within four of the townships for higher residential densities of 1 dwelling unit per 10 acres to accommodate projected metropolitan growth through the year 2040. Will Dakota County's rural townships "hold the line" on future growth pressures? The airport initiative in 1995 which would have consumed more than 14,000 acres of agricultural land in Dakota County is a good example of the vulnerability of open land near a major metropolitan region.

Rural development is another threat to the successes of zoning in Minnesota. One of the most perplexing obstacles in preserving a local community's agricultural land base is that of the existence and growth of large lot (5 to 10 acres or more) low density rural non-farm residences scattered in good agricultural areas. The problem has been identified in many agricultural communities throughout Dakota County. The situation was recently noted in the Land Use Policy Chapter of Dakota Communities Comprehensive Plans as follows:

"In the 1990's, over 3,000 housing units per year were built in the urban areas of Dakota County at the rate of approximately two to three units per acre. This residential development consumed over 1,000 acres of land per year. Although the number of new houses built in the rural areas was significantly less, the lot sizes are typically 5, 10, or 20 acres. At this rate and density, scattered rural development uses up an amount of land comparable to that used by suburban development."

"There are 40,700 acres (10%) of land devoted to single family housing units in the county. Large lot residential (with individual on-site wells and septic systems) uses 16,000 acres of this acreage. It is interesting to note that while a large percentage of the county's land use falls into the large lot residential category, there are only 3,300 homes that occupy this acreage."²⁴

This same category of concern is also found in the counties outside the Metro region as recently noted in the Stearns County Comprehensive Plan. Indeed, the inordinate amount of agricultural land experiencing this type of rural development is pervasive in many rural communities not only in Minnesota but throughout the U.S. Agricultural zoning ordinances that permit large lot development of non-farm dwelling units as an integral part of the ordinance only institutionalize this wasteful use of good agricultural land.

As an antidote, agricultural zoning ordinances referred to as area-based allocation zones require non-farm residences to be concentrated on a limited fraction of tracts of land leaving the remainder open and available for effective farming on relatively large units. Clearly, if the goal of a zoning ordinance is to preserve land for agriculture, an area-based allocation standard must be set so as to provide remainder areas comparable in size to typical commercial farming operations in the jurisdiction. Such area-based zoning allocations can be critical to developing and implementing a sound agricultural zoning ordinance.

Despite some problems, however, there are many reasons why local jurisdictions in Minnesota select agricultural zoning as a primary complement to other land uses, including residential, industrial, and commercial zoning.

The case of the small city of Miesville in Dakota County is demonstrative. The city has a population of about 200 and an area of about two square miles or approximately 1,280 acres.²⁵ One thousand acres are farmed in the Miesville environ.

When adopting its agricultural zoning ordinance in 1978, Miesville officials enunciated five specific methodologies for achieving their agricultural preservation goals:

1. Non-farm residential development in the agricultural area should be limited to one home per forty acres on a lot of one-half acre.
2. County and state tax assessors should be notified when the plan is implemented in order to reduce rising tax assessments on farm land. (The city was responding to the tax incentive established by the Metro Preserves Program.)
3. No water or sanitary sewer services should be extended into agricultural areas by public authorities.
4. Tax revenues should not be used to upgrade the level of public service to residents in the farming area during the following ten to fifteen years of the implementation of zoning.
5. Commercial and industrial uses should be discouraged in farming areas.

These policy methodologies assisted in the achievement of the goals this small Minnesota community had hoped to achieve. In fact, now twenty years later, Miesville has kept its agricultural zoning program in place and has done a remarkably good job in preserving the agricultural land located within its city limits.

In addition to agricultural land preservation, there are other important goals of agricultural zoning ordinances as implemented by diverse Minnesota counties. For example, Blue Earth County sees agricultural zoning as fostering environmental values. The ordinance states the importance of "preserving woodlands and other areas of aesthetic and scenic value which, because of their physical features, are desirable as water retention areas, natural habitats for plant and animal life, green space."

Other communities see the preservation of agricultural land as an important element in their overall land use goals. Since many counties in Minnesota have a very heavy economic investment in their agricultural industry, zoning is also used as a means to protect that investment.

Zoning, of course, is based on the police power, and is used as well to protect the public health, safety and welfare, to protect property values and to prevent conflicts among adjoining land uses.

C. *General Observations*

Agricultural zoning is not perfect. It does not provide permanent long-term protection to agricultural land. It can be changed through rezonings, variances and if not enforced properly in a

local jurisdiction, it simply will not work effectively.

However, it does form an extremely important underpinning to other agricultural preservation programs such as agricultural districting and the purchase and transfer of development rights which will be discussed later on in this report. It integrates land use planning for agricultural purposes with other long established zoning practices for residential, commercial and environmentally sensitive lands.

Agricultural zoning is an official expression by the implementing local jurisdiction that agriculture is the primary use of land in that portion of the county or township where it has been so designated.

The Green Acres Program

A. *Background*

The Minnesota Agricultural Property Tax Law (Green Acres Program) was implemented in Minnesota in 1967. The primary intent of the law was tax relief and not agricultural preservation. With the introduction of the Metro Program in 1980, followed by the Statewide Program in 1984, much more diversified and comprehensive approaches to agricultural preservation have emerged. In part this was a result of the inherent limitations and deficiencies of differential assessment as instituted by Green Acres.

The key factor which drove the establishment of differential assessment programs in the 1960's was the heavy increase in real estate taxes that farmers were experiencing on land farmed near rapidly expanding urban areas. State legislators were concerned that higher real estate taxes would force farmers off the land. Given that real estate taxes often account for as much as 2 to 5% of the total expenses incurred by a farmer on an annual basis there was a realistic basis for these concerns.

The Green Acres program provides that certain property owners (not necessarily "farmers") engaged in agricultural activities can apply for deferment from higher real estate tax valuations and continue to have the property taxed on the basis of its valuation for farm purposes. These deferments also encompass payments or any special assessments which local governments might levy based on water, sewer, and other public facility improvements that adjoin a landowner's property.

In order to qualify for the Green Acres program a landowner must own at least 10 acres that were used primarily for agricultural purposes in the year preceding the assessment. The land must either be the homestead of the applicant, farmed in conjunction with the homestead, or have been in the family for at least seven years. Additionally, the owner must be able to verify a minimum gross annual income of \$300 plus \$10 per tillable acre.

The Green Acres Program, unlike the Metro Program or the Statewide Program, does not require eight year or any length covenants on the land, nor does it specify that agricultural zoning must be in place as a prerequisite for enrollment in the program. It is simply an agricultural real estate tax abatement program with very limited enrollment qualifications required.

B. *Experience Under or Related to Green Acres*

As of 1997 the Green Acres Program has an enrollment of 1.2 million acres of land in 25 Minnesota counties.²⁶ Consistent with the overall purpose of the Green Acres Program to assist landowners near urban areas encountering higher real estate taxes, 70% of the acreage in Green Acres is in the seven county metropolitan region. The only county outside the metro region with significant acreage in Green Acres is Wright County which has 334,189 acres enrolled. As we have seen, Wright County, located to the northwest of the Twin Cities is one of the faster growing counties in Minnesota. It is also one of the three counties that has participated in the Statewide Program. (Appendix C shows the Green Acres effect on farm land market value taxes payable in 1997.)

Statewide, with the exception of Wright County, the Green Acres program has had little participation. Real estate taxes on agricultural land in most of greater Minnesota have been kept at a level that apparently has not attracted rural landowners into Green Acres.

In reviewing the enrollment of parcels in Dakota County in both the Green Acres and Metro Preserves programs no definitive patterns emerge which lead to any conclusions as to preferences of landowners participating in either program. In other words parcels in both programs are scattered throughout the county. Significantly 18% of the land (or 36,540 acres) in the thirteen rural townships is enrolled in neither program.²⁷

We have seen that enrollment in the Metro and Statewide Programs requires an eight year commitment on the part of landowners. No such commitment is required under Green Acres and the penalty for withdrawing (repayment of current deferred taxes plus interest and special assessments) is hardly enough to discourage landowners from selling agricultural land for urban uses if the price is right. The price could well be right: for example, non-irrigated land in Dakota County sells for \$1200 per acre while irrigated parcels can bring \$2,200 or more per acre.²⁸ However agricultural land near the MUSA which is developable will sell for as much as \$5000 to \$12000 per acre.²⁹ This is a healthy differential, and one the Green Acres program alone will not overcome.

C. *General Observations*

In 1978, the Research Department of the Minnesota House of Representatives prepared a report on the Green Acres Law. Their recommendations are equally relevant today as they were over twenty years ago.³⁰

Recommendations:

- (1) 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.
- (2) 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 constitutes inequitable treatment of taxpayers.
- (3) That the legislature consider withholding Green Acres benefits from landowners who are gradually selling housing lots from their farms. Such persons obtain a substantial unfair advantage over landowners who are unable to qualify for Green Acres coverage. It is of dubious value to local jurisdictions to forego tax revenue and defer payment of special assessment for the sake of perpetuating the "farming" operation of a farmer developer.

Transfer of Development Rights**A. Background**

Earlier in this report, the relationship of the preservation of agricultural land to the broader context of growth management was discussed. The concept of containing urban sprawl by encouraging more compact urban development, infilling of areas inside urban growth boundaries and improving the infrastructure and economic well being of inner cities were all mentioned as "growth management" antidotes to urban sprawl. Indeed, providing for water, sewer and suitable land uses for residential and other types of development to occur are similar effective strategies of growth management that also can contribute directly to the preservation of agricultural land. Growth management should be an integral part of agricultural land preservation.

It is within this framework that the transfer of development rights (TDR) should be viewed and has a level of currency. A balance is required: while there is a clear need to preserve agricultural lands, there is also a need for appropriate development in suitable domains. The transfer of development rights is a tool that can be used, if the circumstances are sufficiently propitious, to help with this balance.

As its name suggests, the transfer of development rights process allows development credits to be transferred from one area where development is not wanted to another area where it is. Local governments, working in concert, identify those areas that are to be protected from development and those areas that are suitable for development.

The transfer of development rights is a trading process that is not suitable to all jurisdictions. A TDR requires two essential elements:

- 1) Areas or districts that are to receive development rights must be so designated. These "receiving" areas are typically near existing development and where water, sewer, roads, and other public facilities and services are already in place or planned to serve the additional development. In addition, these areas should have a perceived need for the development so that it is financially attractive and feasible for developers to buy development rights and build there at higher densities.
- 2) The areas or districts that are to send development rights (sending areas) are usually in the process of being zoned for the first time or having the existing zoning strengthened. Landowners in such "sending" areas would, in compensation for the loss of equity due to the new zoning, be granted development rights or "credits". However, those rights could be sold only to realtors or developers for use in higher density development in the receiving areas.

In establishing these two categories of areas, "sending" and "receiving", the local governments should ensure that the total number of development rights made available for sale in the sending area is roughly equal to the total number that can be used in the receiving area. In this way, those who wish to sell development rights have a definable market. Once this rough balance is established by the local governments, the transfer of development rights depends upon a private negotiation between the landowner and the developer. The purchaser (developer) must determine the value he or she is willing to pay based on how many additional units he/she believes can be sold and at what price. The seller (landowner), of course, must be satisfied that the price is reasonable.

B. *Experience with TDRs.*

According to the American Farmland Trust, about 45 local jurisdictions have enacted ordinances allowing for the use of TDRs.³¹ The New Jersey Pinelands Commission has created a broad TDR program within that state to preserve farmland and environmentally sensitive lands.³² Of all these jurisdictions, Montgomery County, Maryland has had the most success. To date, 38,251 acres of agricultural land in Montgomery County has been preserved through the use of TDRs.³³ TDRs can serve as a potentially useful supplementary preservation tool in Minnesota.

Purchase of Development Rights

A. *Background*

The use of Purchase of Development Rights (PDR) as a way to permanently preserve agricultural land has grown steadily over the years. Starting with the first purchase in Suffolk County, Long Island, in 1976, the number of states implementing PDRs (otherwise called easements) has increased to twelve. A number of local jurisdictions have established their own programs as

well.

A quick overview of the nature of development rights is important to assessing their role as an agricultural preservation tool.

Owners have certain rights to the use of land but those rights can only be exercised within the framework of local, state and federal land use laws and regulations. Usually included among these basic rights are the following rights:

- to use the land for homestead purposes.
- to use the land for farming or forestry purposes.
- to extract minerals from beneath the land's surface.
- to fence or post the land to prevent public trespassing.
- to sell the land or to leave it to heirs.
- to develop the land for residential, industrial or commercial purposes.

The value of the right to develop, commonly referred to as the development right, depends on factors such as the amount of acreage and the existing zoning. Development rights for residential development are usually expressed in terms of the number of dwelling units allowed per acre or fraction of an acre. The development rights for commercial or industrial development is usually expressed in terms of square footage or as a ratio of floor to land area.

Development rights can be severed or removed from a parcel of land in a number of different ways. In all cases, the landowner retains ownership of the property and can exercise his/her other property rights subject to the conditions under which the development rights were removed. The landowner not only benefits financially from the removal of the development rights but also participates directly in preserving agriculture or other environmentally significant land.

These are the various selling options:

- A landowner may sell his/her development rights to a governmental agency including state, county or township governments which then retires the rights.
- A landowner may sell the development rights to a developer or builder who then can use them in a designated development location (see TDRs).
- A landowner may donate the development rights to a private land trust or other qualified organization to create a conservation easement on the land and receive a

federal tax credit on adjusted gross income (Donation of Conservation Easements).

In most cases, once removed from the land development (easement) rights are severed in perpetuity.

To qualify for a charitable deduction under the Internal Revenue Code, a conservation easement must be:

- granted in perpetuity;
- donated to a qualified organization or agency;
- donated exclusively for conservation purposes which includes the preservation of agricultural land.

The Internal Revenue Code allows a landowner to deduct in a single year an amount for the value of the donation that does not exceed 30% of adjusted gross income. If the donation value is greater than that amount, deductions (not to exceed the 30% limit) can be made in five succeeding years or until the full value has been deducted, whichever comes first.

B. *Experience with PDRs:*

Acreage Permanently Protected Is Small

Although 14 states and a number of individual counties have implemented Purchase of Development Rights programs over the past 20 years, the amount of acreage protected still remains relatively small.

Efforts to preserve agricultural land through the purchase of development rights has been bicoastal in nature with primary emphasis coming from a number of Northeastern states.

Cost Is a Factor

To date, slightly less than 500,000 acres of agricultural land has been preserved through these programs at a cost of over \$900,000,000.

Purchase of development rights programs have been used primarily in states and local jurisdictions that do not have comprehensive agricultural zoning. For example, when the state of Massachusetts implemented its PDR program in 1977, the state agriculture commissioner stated that one of the primary reasons this approach was taken is that landowners would not accept agricultural zoning. Therefore, many states and local jurisdictions that have implemented PDRs show a "checker board" pattern of land preserved that often is interspersed with land that has been developed. A number of states including Massachusetts, Connecticut, New Jersey and Vermont have not

implemented agricultural zoning to complement their PDR efforts. The state of Maryland has, however, and has achieved good degree of success by utilizing PDRs in conjunction with agricultural zoning.

The cost of purchasing development rights is high. Development right purchases have averaged \$2,000 per acre. Large blocks of land have not been preserved in many cases since the combination of eligibility requirements and the fact that each individual landowner must make a decision on whether to voluntarily sell their development rights means that it is very difficult to get large contiguous blocks under permanent protection. This is one reason why the state of Maryland tries to purchase at least one hundred acres of agricultural land as a minimum size requirement. If as much as 1,000 to 1,500 contiguous blocks of land can be purchased over a period of time, then it will prevent development from occurring on parcels interspersed with permanently protected agricultural acreage.

C. *General Observations*

Interest in PDRs continues to grow throughout the U.S. The idea of permanently preserving agricultural land has great currency among land use planners and private non-profit environmental organizations.

The donation of conservation easements, although providing permanent protection to agricultural land, is not a viable option to many farmers since they do not have high incomes and therefore cannot take advantage of the IRS provision which allows for a 30% deduction on their adjusted gross income. Consequently, this technique is more attractive to wealthy landowners.

The Purchase of Development Rights by state or local governments is, however, a viable preservation technique and certainly should be explored for potential use in Minnesota. However, as pointed out earlier, the costs are very, very high and a funding mechanism would have to be created.

The payment of conservation credits under the Metro Preserves and the Statewide Program cost about \$500,000 to \$600,000 per year to secure eight-year covenants on agricultural lands. PDR program costs would be much higher.

However, a very targeted PDR program that would permanently preserve agricultural land along the MUSA and near other rapidly growing urban areas statewide has relevancy within the current mix of preservation programs and should be explored.

Right to Farm Laws

A. *Background*

As discussed in Section II (National Overview), Minnesota has a statewide Right to Farm Law. It was also noted that some local jurisdictions including townships in Dakota County are passing their own local ordinances.

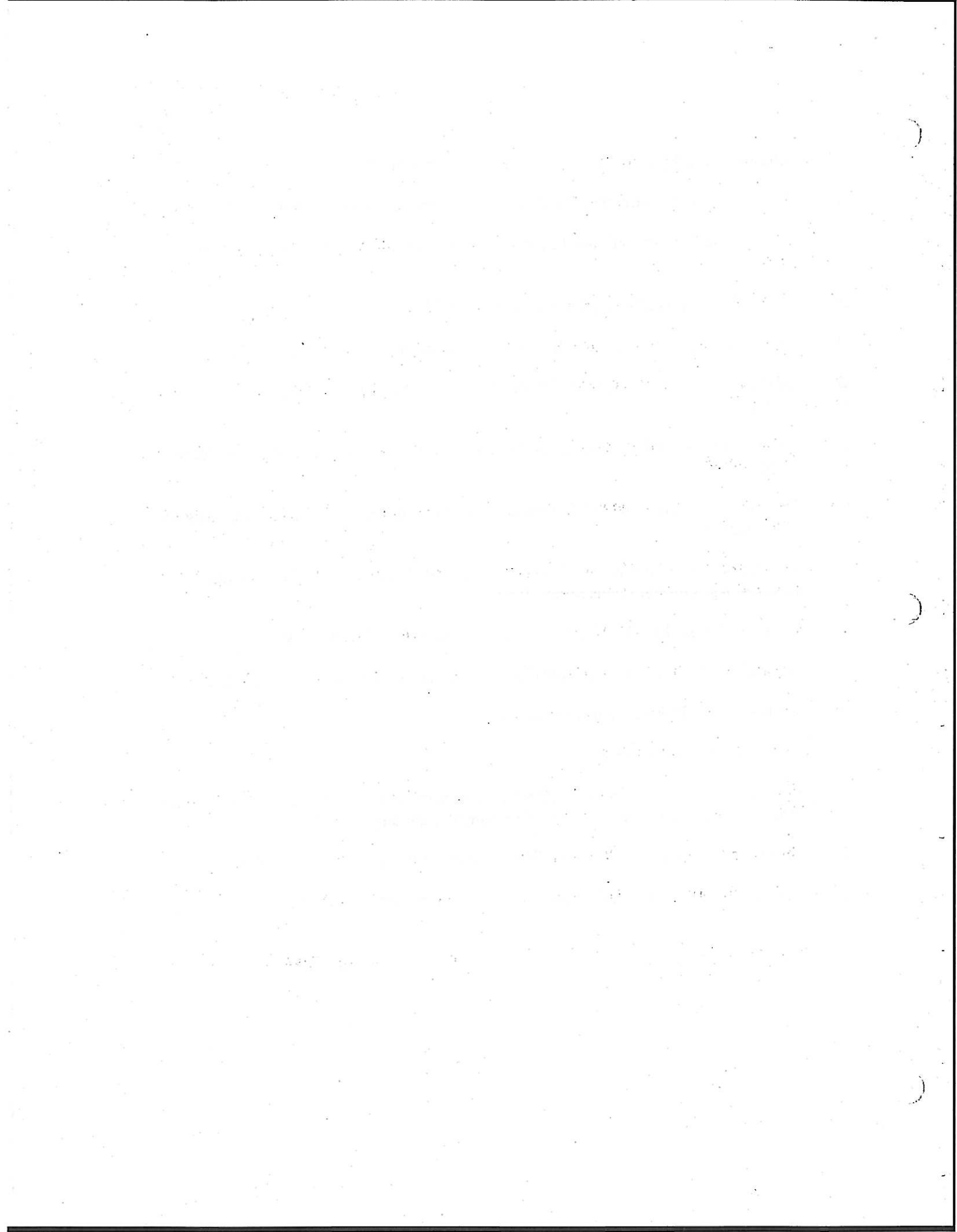
B. *Experience with Right to Farm Laws*

Little information is available on the enforcement and application of Right to Farm laws nationwide and in Minnesota. The Iowa court case as mentioned in Section II illustrates the most recent legal decision on the application of these ordinances at the local level. Given the potential increase on Confined Animal Feeding Operations in Minnesota, Right to Farm laws most likely will become very important in the future as conflicts between farmers and non-farm residents increase.

ENDNOTES

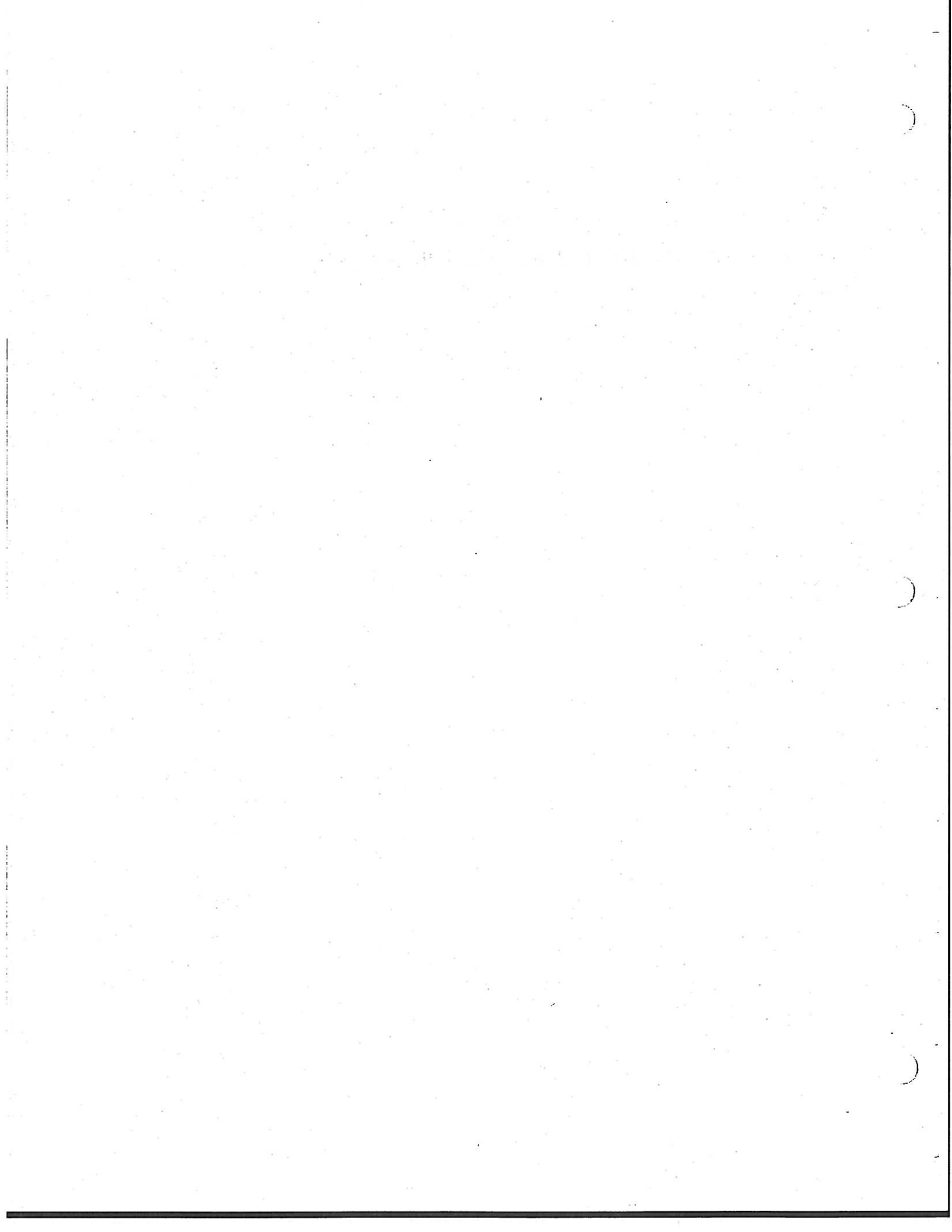
1. National Resources Inventory: Summary of Natural Resource Trends in U.S., 1982 to 1992/USDA/NRCS April 1995.
2. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
3. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
4. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
5. Case Studies on State and Local Programs to Protect Farmland, Regional Growth Management in the Twin Cities Metropolitan Area, National Agricultural Lands Study, 1981.
6. Summary Report, 1992 National Resources Inventory; USDA/NRCS.
7. Minnesota Agricultural Economist, Spring 1996; Farmland Loss: A New Measure Sheds New Light, Wegner, Ploetz and Taff.
8. Minnesota Agricultural Economist, Spring 1996; Farmland Loss: A New Measure Sheds New Light, Wegner, Ploetz and Taff.
9. Metropolitan Council - Agricultural Preserves Program Status Reports, 1982-1997.
10. Dakota County Environment and Natural Resource Management Policy Plan, August 1998 - Draft.
11. Metropolitan Council - Agricultural Preserves Program Status Reports, 1982-1997.
12. Source: January, 1999 Telephone Survey of Counties Participating in the Minnesota Agricultural Land Preservation.
13. Agricultural Census: 1992.
14. Nicollet County Comprehensive Plan: 1985.
15. Stearns County Comprehensive Plan: 1998.
16. Agricultural Districts and County Agricultural and Farmland Protection Plans - A Status Report, Jan. 1996.

17. Interview with Michigan State Agriculture Department official.
18. Saving American Farmland: What Works? American Farmland Trust, 1997.
19. Agricultural Zoning, William Toner. Governors State University, Planning Magazine, 1990.
20. Project Team Survey of Agricultural Zoning in Minnesota - 1998 (Map 1).
21. Saving American Farmland: What Works? American Farmland Trust, 1997.
22. Dakota County Environment and Natural Resource Management Policy Plan, August 1998 (Draft).
23. Dakota County Environment and Natural Resource Management Policy Plan, August 1998 (Draft).
24. Dakota County Environment and Natural Resource Management Policy Plan, August 1998 (Draft).
25. The Protection of Farmland: A Reference Guidebook for State and Local Governments, National Agricultural Lands Study, 1981.
26. Property Tax Bulletin No. 26, Minnesota Department of Revenue, 1997.
27. Agricultural Land in Rural Dakota County: Dakota County Assessor's Office, 1998.
28. Interview with Dakota County landowner.
29. Metropolitan Council, 1995.
30. Green Acres Law: The Use of Differential Assessment in Minnesota, State of Minnesota House of Representatives Research Department, February, 1978.
31. Saving American Farmland: What Works? American Farmland Trust, 1997.
32. Saving American Farmland: What Works? American Farmland Trust, 1997.
33. Saving American Farmland: What Works? American Farmland Trust, 1997.



SECTION V

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS



SECTION V

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

1. Refocus the Statewide program:

Findings:

- The Metro Program has been largely successful in serving as an important incentive for county and townships to designate land for long-term agricultural use in the Metro region. The program is for use exclusively in the rapidly urbanizing Twin Cities region.
- Unlike the Metro Program, which is targeted to uniformly high growth areas of the Metropolitan region, the State Program is targeted to the entire spectrum of the remainder of the state, including areas that are relatively vulnerable to development and also those with low development risk.
- The stakeholders have expressed opinions that the preservation programs apparently do not target areas that are truly at risk of conversion of productive agricultural land to other uses. In summary, the comments reflected the belief that benefits were provided in areas with low risk of land conversion, land was being preserved for insufficient periods of time and benefits were not sufficient to encourage participation in areas that should be targeted for participation.

Conclusions:

Given the limited resources for the entire gamut of agricultural land preservation programs, the Statewide Program should be refocused to serve primarily areas of the state of Minnesota with greatest need; the Metro Program already is largely successful with its built-in focus on the rapidly urbanizing Twin Cities region.

Generally, the Statewide Program needs to address in first priority those areas of Minnesota outside the metropolitan region that are experiencing the highest potential development growth in their proximities and have the stronger agricultural land base, production and investments to protect. Areas of lesser need and landowners with lesser exposures and incentives would be deferred. Refocusing on higher growth areas will have the added benefit of improving revenue to the state conservation fund from increased recordings of mortgages and deeds.

Recommendations:

Refocusing should be implemented specifically by targeting of the Statewide Program to specific counties and subregions based on the following criteria, and any others that would assist the targeting:

- **Projected population growth for the next 10 years for the county as a whole or communities within the county or growth nodes. Map II identifies and illustrates the location of these top growth areas. With the exception of Crow Wing County, the growth areas are contiguous to the seven county metropolitan area and form a continuous growth belt from Rochester to St. Cloud.**
- **Communities within counties along growth corridors in close proximity to the metro region:**
 - **Major highway corridors such as Interstates 94 and 35, US Highway 52, provide access to rural counties outside the Metro Region, stimulating the growth of bedroom communities and rural development of five and 10 acre residential lots. These major highway corridors should be considered in selecting the targeted counties that would be part of the refocused Statewide Program.**
- **Counties experiencing rural development around urban areas (one dwelling/five or 10 acre residential estates).**
 - **It is recommended that counties and communities with the highest projected population growth for the next ten years as previously discussed be examined for the growth patterns they are currently experiencing. If scattered rural development on large lots is occurring in the townships near urban centers, or growth corridors, then these communities should clearly be given consideration as targeted counties. For example, in the Stearns County Comprehensive Plan for the year 2020, it was noted that the average lot size has increased three-fold in the last few years increasing from 1.25 acres per lot to 4.16 acres. Furthermore, it was also pointed out that of the nine townships with the greatest number of acres platted, eight are within the eastern half of the county along a growth corridor.**
- **Counties having a strong agricultural land base, significant crop and livestock production and investment in agricultural infrastructure:**
 - **Given the diversity of agricultural production in Minnesota, it is difficult to establish specific benchmarks in terms of the agricultural land base, crop/livestock production and investment in agricultural infrastructure. Counties with heavy livestock production will have a much higher investment in buildings and other related facilities than those counties which are primarily in crop production. The exception would be in those crop producing counties which have large landowner investments in irrigation facilities. Counties with an average market value of agricultural products sold of \$20 million or more, as determined by the Agricultural Census, should be considered as a target county. Another consideration: at least one third of the land in the county in agriculture as defined by the "land in farms" category under the Agricultural Census. In addition, the estimated market value of land and buildings should be in excess of approximately \$100 million. These are suggestions only and**

should not prevent a small county with limited acreage in agriculture from being considered, particularly if this county is experiencing rural development pressures.

- **Counties that need to strengthen their agricultural preservation efforts.**
 - **In determining the level of agricultural preservation effort within a county which might be targeted, the following considerations should be taken into account:**
 - (1) **Has the county updated its comprehensive plan recently?**
 - (2) **Is there any commitment to agricultural preservation including the implementation of an agricultural zoning ordinance?**
 - (3) **If an agricultural zoning ordinance is in place, does it have a minimum density requirement of one dwelling unit per 40 acres? If a county has an outdated comprehensive plan and has not considered agriculture as a primary land use in its planning process, and has not implemented an agricultural zoning ordinance as many counties now have in Minnesota, the county should clearly be given consideration as a targeted community.**

2. Strengthening the Statewide Program.

Findings:

- The qualification of land (comprehensive plans and zoning) alone did not assure that individual landowners enrolled land in the Metro program system. The highest annual percentage of eligible land enrollment that has been reached is 40%. Decisions at the enrollment level are made by individual landowners on a case-by-case basis, weighing the basket of benefits they receive against the cost, both monetary and other, to them of covenanting.
- There is evidence of some positive correspondence between the amount of the property tax credit offered by the Metro Program, and the level of participation /enrollment of the landowner farmers. Obviously, the greater the tax credit the more appealing enrollment is, but other program benefits also enter in the equation for farmers.
- The Statewide Program has basically the same features as the Metro Program except the Statewide Program is limited to granting a flat monetary benefit of \$1.50 an acre.
- The stakeholders have expressed opinions that the preservation programs apparently do not target areas that are truly at risk of conversion of productive agricultural land to other uses. In summary, the comments reflected the belief that benefits were provided in areas with low

risk of land conversion, land was being preserved for insufficient periods of time and benefits were not sufficient to encourage participation in areas that should be targeted for participation.

Conclusions:

The landowners must be sufficiently enticed by the prospect of enrolling in an agricultural districting program to overcome many other interrelated considerations, including the farmers' expectations about farming income, the revenue he or she could receive as a result of selling land free of use encumbrances, either now or in the future.

There is a need to strengthen the Statewide Program for it to be more attractive for farmer participation. The amount of the property tax credit is obviously a major consideration, but the other farming commitment benefits offered by the Statewide Program should be reviewed as well.

Concurrently, changes should be considered to enforce or extend farmer commitments to the Statewide Program in order to provide a greater and longer benefit to those jurisdictions that endorse the program.

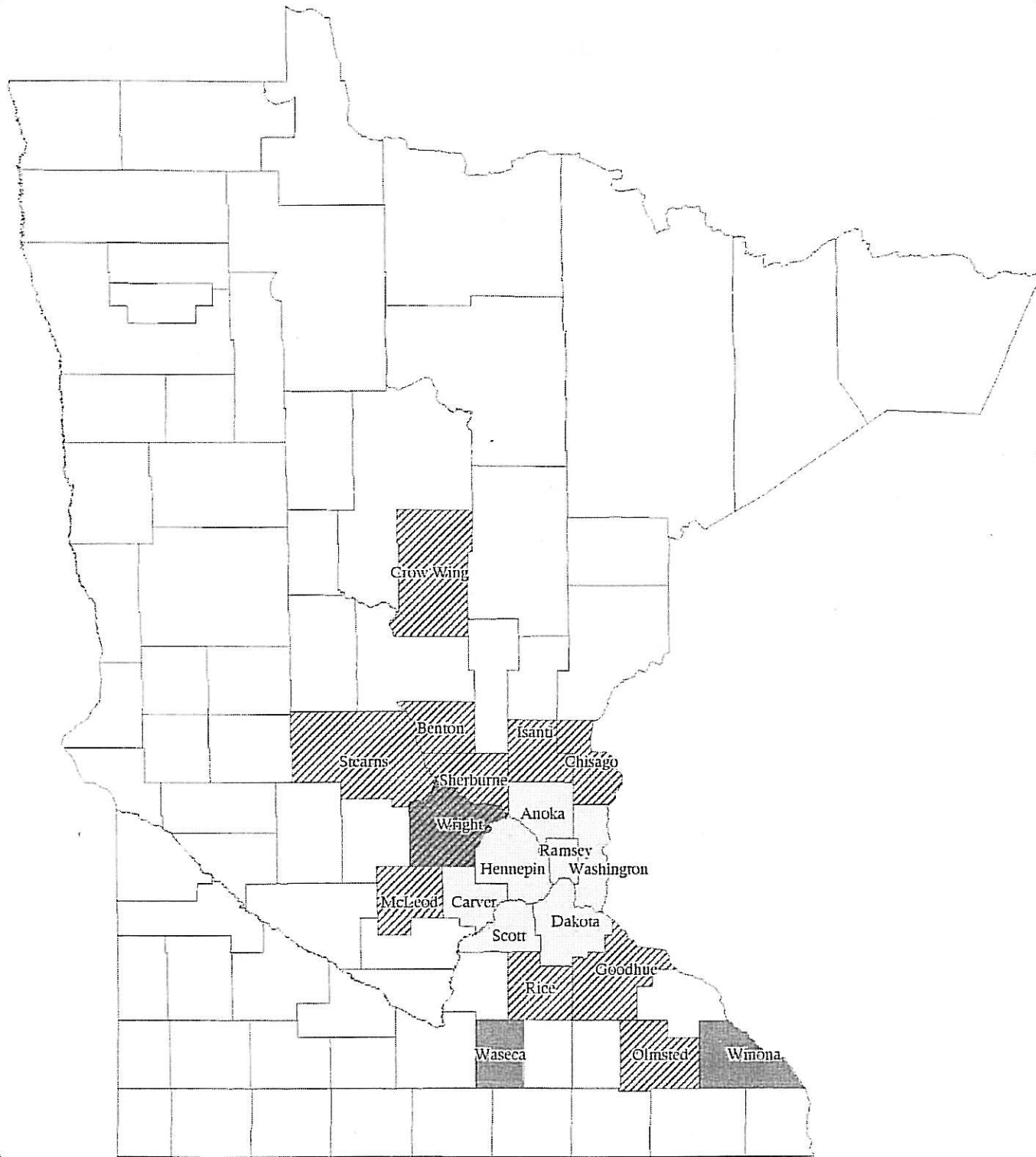
Recommendations:


It is suggested that consideration be given to the following modifications in the Statewide Program:


- Increase the property tax credit from a flat \$1.50 per acre to approximately \$3.00 or more. Although such an increase will necessitate a source of increased revenue for the Statewide Program, it is believed that a tax credit increase is central to the attractiveness of the program to landowners. Of course, if the revenues supporting the program do not increase or increase at an insufficient rate, there is greater risk of program costs exceeding program revenues. Many variables are involved. (See in this regard the discussion below with respect to instilling confidence in the long-term funding of the Statewide Program.)
- Increase the enrollment period in the Statewide Program from eight to 10 years.
- Retain the feature for the automatic continuation of the enrollment period until the landowner files an expiration notice.
- Retain the feature which provides for an immediate suspension of the tax credit should the landowner file an expiration notice.
- Strengthen the prohibition of annexations of any land enrolled in the Statewide Program.


Map II

Agricultural Preserve Counties Top Population Forecast Areas

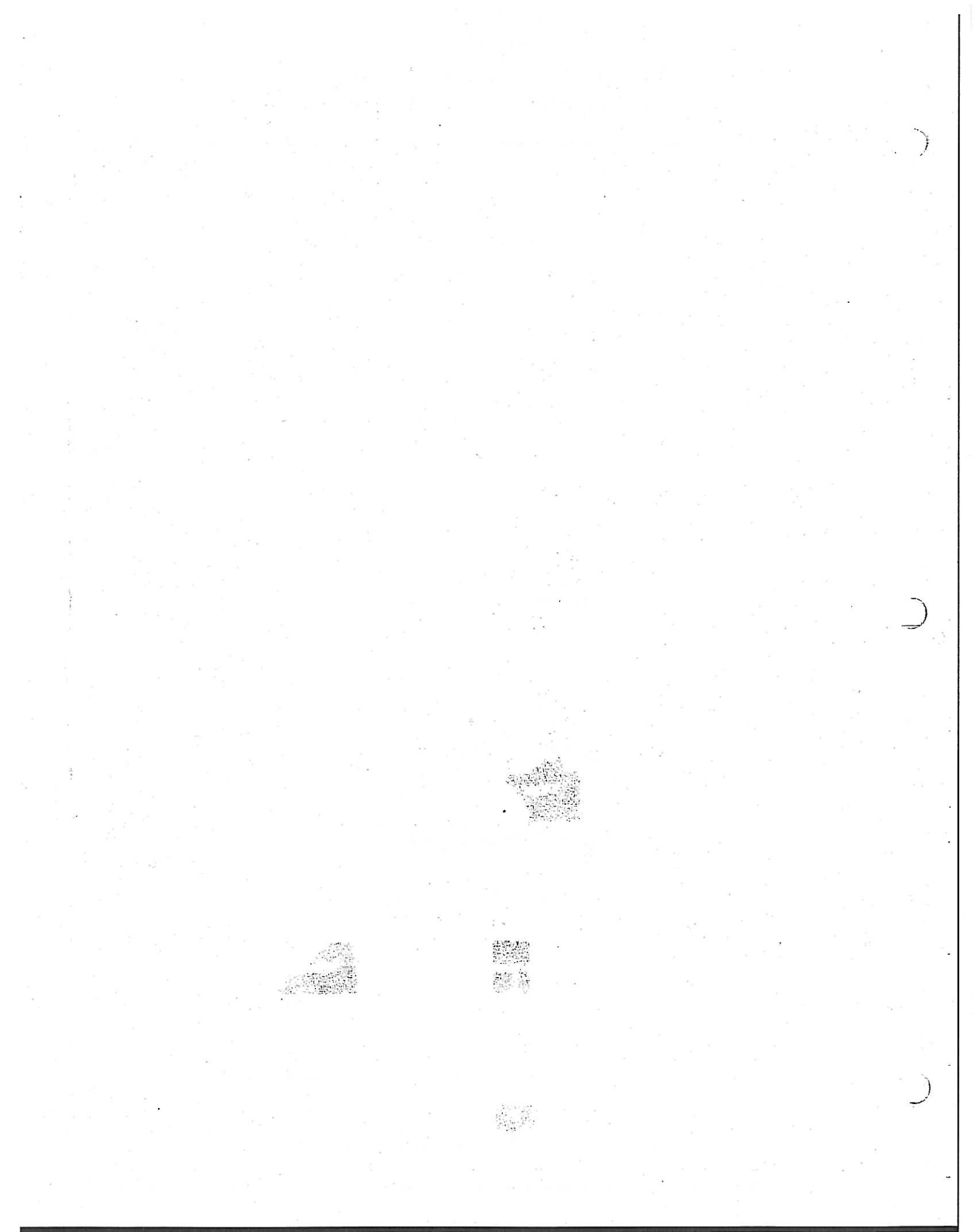


 11 Top Greater MN Population
Gainers 1995-2020

 Statewide Agricultural
Preserve Participants

 Metro Counties

6/22/99



- Continue to emphasize density based zoning with maximum lot size for non-agricultural use.
- Provide for differential assessments as well as property tax credits.

3. Instill confidence in long-term funding of the Statewide Program:

Findings:

- The Metro Program has remained solvent for the time of its existence, although cross subsidization occurs among the counties involved.
- General confidence is held with respect to funding of the Metro Program since should there be a shortfall, funds will be appropriated from the general fund.
- The Statewide Program has basically the same features as the Metro Program except:
 - a) The Statewide Program is limited to granting a flat monetary benefit of \$1.50 an acre.
 - b) There is no provision in the Statewide Program to the effect that should the conservation fund be insufficient to cover the tax credit, then funds will be appropriated from the general fund.
- The Statewide Program has been limited to the three pilot counties. Three other counties have declined to participate in the Statewide Program because of concerns over long term financing.
- Long term financing of the Statewide Program is less secure than the Metro Program.

Conclusions:

Confidence in the long-term solvency of the Statewide Program, just as in the Metro Program, is equally important to local governmental jurisdictions as to the landowners themselves. The farmers are being required to sign eight-year covenants to participate in the Statewide Program, and yet have no assurances that funding will be sufficient to assure them adequate conservation credits over that period of time. Counties that have declined to participate in the program cited concerns over encouraging long-term landowner commitments to preservation without having reciprocal funding guarantees by the State. Counties would be liable to cover the costs of conservation credits which exceed the revenue generated through the local mortgage and deed transaction fee. Confidence in the long-term funding for the Statewide Program must be instilled.

Recommendations:

It is recommended that:

- The fundamental long-term soundness and feasibility of funding the Statewide Program from the mortgage and deed fees be examined. While the conservation fund has remained solvent over the years, changes in the many variables affecting the land preservation programs could alter viability. For example, a substantial increase in the number of acres enrolled in the preservation programs will cause a corresponding increase in the value or costs of conservation credits. If the revenues supporting the programs do not increase or increase at a slower pace than the rate of participation, there is a risk of program costs exceeding program revenue. Such potential shortfalls would be covered by the state general fund in the Metro Program, but only by county general funds in the Statewide Program.

A similar potential impact would result if the amount of the conservation credit to landowners increased, say from \$1.50 per acre to \$3.00 per acre, but the program revenues did not increase. On the other hand, when revenues increase there is a potential for increasing the amount of acres enrolled.

A Future Funding Analysis for the Minnesota Conservation Fund has been prepared to set out some of the various variables involved, their interrelatedness, and monetary consequences under certain limited specified assumptions and circumstances. This analysis constitutes Appendix A of the present study. While it in no way is to be interpreted as a forecast, the analysis contains several examples of outcomes that could be expected under differing assumptions:

Exhibit A - 3 to the analysis shows that, under certain specific assumptions, 2020 revenue and expenditures from conservation funds for the Agricultural Land Preservation counties and the Rapid Growth counties, with the conservation fee retained at \$5.00 and the conservation credit at \$1.50 per acre, could be expected to result in a deficit for the Minnesota Conservation Fund on the order of \$475,000.

Exhibit B- 3 shows that, again under specified assumptions and circumstances, but with the Conservation Fee increased to \$10.00 per transaction, the Minnesota Conservation Fund for the same counties in 2020 would register a \$261,000 surplus, with enrollment at approximately 900,000 acres.

Finally, Exhibit C-3 demonstrates that with acreage enrollment at the same level as in Exhibit B, but with the conservation credit doubled to \$3.00 an acre, the conservation fee set at \$17.00 per transaction would show 2020 Minnesota Conservation Fund net revenue of about \$108,000.

The "estimates" of program income contained in Appendix A and Exhibits are presented solely for illustrative purposes. There are virtually limitless illustrations that can be prepared for future analysis by changing the variables. The primary variables which affect future program funding include the amount of acres enrolled in the preservation programs, conservation fund revenues and the amount of conservation credits. Evaluating a variety of illustrations may be useful in determining the funding implications of certain goals for the amount of land to be enrolled in preservation programs. Conversely, adjustments in either the conservation fee or conservation credit can be evaluated in terms of impacts on program enrollment.

- A sliding scale conservation fee be considered. With a sliding scale, mortgage registrations and deed transfers involving progressively higher amounts would pay progressively higher fees.
- Provision should be made for the availability of state general funds if tax credit costs exceed available revenues for the Statewide Program.

4. Education and outreach benefits

Findings:

- The New York State Program has apparently incorporated a successful feature in the creation of local agricultural advising committees which help educate landowners on the value of enrolling in agricultural districts and assist in the enrollment process. This has helped to increase participation in the program.
- As the stakeholder interviews concluded, the strength of the agricultural economy is a key element in maintaining Minnesota's agricultural land base, and indirectly, key to the success of a program such as Metro.

Conclusion:

Real opportunities should be provided by the Statewide Program in terms of education and outreach, particularly to those areas that will not be targeted in the refocus efforts. Education and outreach may be equally important for land preservation enthusiasm as the monetary and tangible benefits discussed in (2) and (3) above.

Recommendations:

Funds should be provided by the state legislature to the Minnesota Department of Agriculture for the following:

- Provide for competitive grants from the Department of Agriculture in order to encourage agricultural land preservation efforts.

- **Provide for the creation of local agricultural preservation committees which would:**
 - **Increase awareness of agricultural land preservation.**
 - **Work closely with the state Department of Agriculture to identify and preserve agricultural land through zoning.**
 - **Encourage the development and improvement of the agricultural economy through promotion of marketing and other agricultural income enhancing enterprises.**
- **Establish a Voluntary Agricultural Preserves Program to foster recognition of agricultural preservation efforts.**
- **Establish a separate fund for use by the Department of Agriculture to create promotional materials for increasing awareness of agricultural preservation programs.**
- **Reserve a portion of competitive grants to allow for research and analysis of additional tools and incentives for agricultural land districting and preservation.**
- **Encourage counties, private non-profit organizations, and others, to look at alternative or supplementary preservation tools such as TDRs and PDRs.**

Agricultural Zoning

Findings:

- The Metro Program has been most instrumental in serving as an important incentive for county and townships in the Metro region to adopt comprehensive plans and agricultural zoning. The program is targeted at the rapidly urbanizing Twin Cities region.
- The comprehensive plans and zoning adopted have steadied the decrease in farmland loss to non-agricultural uses in the region, which is represented by high urban development pressures.
- The greater the enrollment by farmers in the Metro Program, the more likely they are to continue to support the comprehensive plans and zoning that underlie eligibility of land, and constitute the backbone of farm land preservation.
- Experience with the New York State Program indicates that while considerable land has been districted because of an "open policy" which does not require local zoning and planning, this has left much of the New York land near cities and suburban areas unprotected. Moreover, should the New York agricultural districts be terminated, there is no protective mechanism in place to prevent the land from being converted to non-agricultural uses. The same

findings are made with respect to the Michigan agricultural land districting program.

- Agricultural zoning has become the most used land preservation tool in Minnesota and the U.S. at large.
- Zoning works best in conjunction with other agricultural land and growth management tools.
- Many stakeholders expressed belief that a traditional density restriction of 1 per 40 is insufficient by itself and must be combined with other growth management tools.
- Districting programs, including the success of the Metro Program, have served to buttress the widespread use of agricultural zoning in Minnesota. In addition, the Statewide Program has encouraged comprehensive planning and agricultural zoning the three participating counties, as well as over a dozen other counties.
- In fact, rezoning and variances have not been pervasive in Minnesota, but pressure will build in the high growth rate areas.
- Landowners with land enrolled in the Metro or Statewide Programs will tend to reinforce the political will to maintain zoning and hold the line against developmental efforts.
- Rural development (on large lots) constitutes a threat to zoning which can be countered by the use of area-based allocation zones.
- Zoning is used in Minnesota not only for purposes of agricultural land preservation, but for environmental and economic preservation purpose, as well as other purposes within the purview of the police power.

Conclusion:

One of the basic values of the Statewide Program is expressed in its requirement that zoning be in place before land can become eligible. This relationship between agricultural districting and zoning should be enhanced by the Statewide Program in all ways possible.

Recommendations:

- **The Statewide Program should require density based zoning with maximum lot size provisions and clustering of non-farm residential units, one or two acre maximum parcels in the 1/40 agricultural zone (i.e. area based allocation zones).**
- **Formal maximum zoning densities of 1/40 acres should be incorporated into the Statewide Program.**
- **Grants should be provided to help produce model agricultural zoning ordinances.**

Green Acres Program

Findings:

- By itself, the Green Acres program is primarily a tax relief tool, and does not encourage zoning or long term commitments to farming by farmers.
- However, it enjoys significant enrollment in Minnesota where it has been in place for thirty years.
- Green Acres, by itself, will not seriously discourage landowner sales of agricultural land for non-farm use if real opportunities for development present themselves.
- To add new requirements, such as zoning, to an established program such as Green Acres would be extremely difficult politically, unless done in a larger context.
- Stakeholders criticize the Green Acres program as one which provides benefits to those whose intentions are to develop land at a later date and one which provides few impediments to doing so.

Conclusion:

The methods and goals of the Green Acres program should be made progressively more in sync with the Metro and Statewide Preserves program. The overall goals of the preservation programs should be predominant.

Recommendations:

- **Strengthen eligibility requirements for Green Acres as to parcel size and the gross agricultural income level including:**
 - **Require that the sales of agricultural products from Green Acres land generate at least \$200/acre.**
 - **Require that 51% of the land in Green Acres be qualified as tillable acres.**
 - **Require that the total acreage of land enrolled in the Green Acres Program by a landowner be a minimum of 20 acres.**
 - **Require that eligibility for Green Acres should be conditioned as is the Statewide Program; i.e., agricultural zoning required (1/40 acres).**
- **Land inside the MUSA currently in the Green Acres Program should be phased out over a five year period.**

Transfer of Development Rights

Findings:

- Overall, TDRs have not been utilized as much as they should be in the U.S. due to the complexities involved in the assignment of development rights to landowners and due to administrative procedures required to remove the development rights on property in one area of a local jurisdiction and move them to another property located elsewhere in the county or township.
- The supply of available development rights must be sufficient to attract developers to bid on these rights with individual landowners and, conversely, the demand for residential development must be strong enough to stimulate interest on the part of builders that the purchase of these rights is economically justified in their overall development plans.
- TDRs work most effectively in areas of a county or township that have no zoning or liberal zoning of one dwelling unit per five or 10 acres. TDRs would be created to serve as compensation to landowners for a significant strengthening of zoning.
- TDRs could be one more agricultural land preservation tool useful for bringing new zoning or strengthened zoning to well defined "sending" areas in Minnesota, provided that matching "receiving" areas can be identified where additional growth can be accommodated.
- TDRs can work effectively in certain cases to preserve open space and environmentally sensitive areas.
- In Minnesota, TDRs are being utilized to preserve land in the Green Corridor Project.

Conclusion:

There are opportunities for the use of TDRs in Minnesota. These opportunities should be identified and pursued.

Recommendation:

The Minnesota Department of Agriculture should analyze and summarize the effectiveness of TDR programs as an agricultural land preservation tool, based upon similar programs around the country. The Department should also summarize efforts currently in progress through the Green Corridor Project in Chisago and Washington counties, with respect to TDR concepts. The Green Corridor Project has received funding through the Legislative Commission on Minnesota Resources (LCMR) and will result in the development of a TDR program concept in Chisago County. Preliminary funding has been committed for future implementation strategies for the Green Corridor Project, including the TDR concept.

The Department should incorporate its findings on TDR applicability for agricultural

land preservation in Minnesota with the initiatives of the Green Corridor Project. The Department may wish to update the "Alternative Tools" section of the 1996 "Planning for Agricultural Land preservation in Minnesota" handbook with these findings. Such information would be appropriate for redistribution to all counties in the state. The information would be relevant for direct consultation with the high growth counties which have been targeted for land preservation efforts, particularly those with weaker growth management controls.

Depending upon the above analysis and findings, the Department may develop an essential role in assisting counties with TDR education, program guidelines and model regulations.

Purchase of Development Rights

Findings:

- The PDR tool is expensive to use.
- In many, but not all cases, PDRs are not used in conjunction with comprehensive, protective agricultural zoning..
- PDRs have not preserved large contiguous blocks of agricultural land.
- The application of PDRs in Minnesota which has a large agricultural base is more limited.
- Conservation easements can be effectively utilized in instances where landowners are willing to voluntarily donate their development rights and receive a tax deduction through the Internal Revenue Service.

Conclusion:

Just as with TDRs, opportunities must be explored for the use of PDRs in Minnesota. The PDR program should be integrated as fully as possible into the overall agricultural land preservation campaign.

Recommendations:

The Minnesota Department of Agriculture should analyze and summarize the effectiveness of PDR programs as an agricultural land preservation tool, based upon similar programs around the country. The analysis should include funding options and the relationship to funding issues for the State Agriculture Preserves Program. The Department

should also summarize efforts currently in progress through the Green Corridor Project in Chisago and Washington counties, with respect to PDR concepts. The Green Corridor Project has received funding through the Legislative Commission on Minnesota Resources (LCMR) that will result in the development of a PDR model program for Washington County. Preliminary funding has been committed for future implementation strategies for the Green Corridor Project, including the PDR program.

The Department should incorporate its findings on PDR applicability for agricultural land preservation in Minnesota with the initiatives of the Green Corridor Project. The Department may wish to update the "Alternative Tools" section of the 1996 "Planning for Agricultural Land Preservation in Minnesota" handbook with these findings. Such information would be appropriate for redistribution to all counties in the state. The information would be relevant for direct consultation with the high growth counties which have been targeted for land preservation efforts, particularly those with weaker growth management controls.

Depending upon the above analysis and findings, the Department may develop an essential role in assisting counties with PDR education, program guidelines and model regulations. The Department should also investigate the eligibility for program activity funding assistance through the U.S. Department of Agriculture.

Right to Farm Laws

Findings:

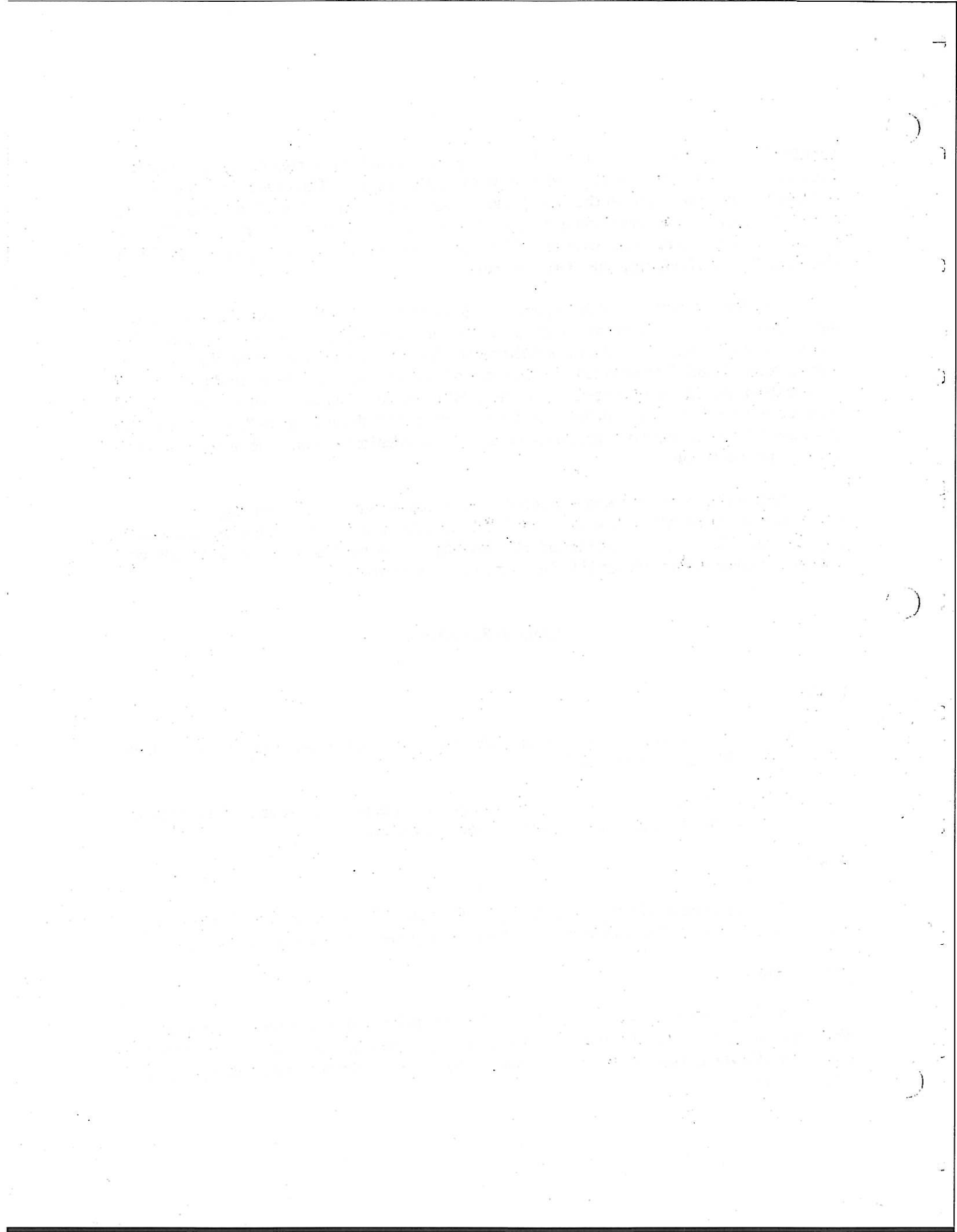
- Little information is available on the enforcement and application of Right to Farm laws nationwide and in Minnesota.
- It is likely that Right to Farm laws will have greater focus in the future as conflicts between farming operations and rural non-farm residents increase.

Conclusion:

The importance of Minnesota's state Right to Farm law will become more evident as changes occur in agricultural production practices and rural development patterns in the future.

Recommendations:

The Minnesota Department of Agriculture should review the current state Right to Farm law to determine if modifications are necessary to strengthen it and to ensure that it conforms with the changes in agriculture production and agricultural preservation programs within the state.



Appendix A
Minnesota Conservation Fund
Future Funding Analysis



APPENDIX A

MINNESOTA AGRICULTURAL LAND PRESERVATION PROGRAM EVALUATION

Minnesota Conservation Fund Future Funding Analysis

This report has been prepared to summarize the funding mechanisms, which currently support agricultural land preservation programs in Minnesota. The report is also intended to analyze the potential impacts on the Minnesota Conservation Fund, as a result of expanding the number of counties that are participating in the programs. The following analysis includes assumptions about future program participation and introduces variables for revenues and expenditures, in order to evaluate potential funding implications in the year 2020.

Background

Funding to support the Minnesota Agricultural Land Preservation Program (MALPP) and the Metropolitan Agricultural Preserves Program (MAPP) is generated through surcharges on mortgage registrations and deed transfers. Counties which elect to participate in either land preservation program must collect a \$5.00 transaction fee or "conservation fee" for all mortgage registrations and deed transfers. The counties retain half of the revenue from each transaction (\$2.50) in a special fund (the county conservation fund) and forward the balance (\$2.50) to the Minnesota Department of Revenue for deposit in the Minnesota Conservation Fund.

Landowners participating in either land preservation program receive a minimum "conservation credit" of \$1.50 per acre of land enrolled in the program. The actual credits in the MAPP are based upon a formula which calculates property taxes in metropolitan area preserves at a rate equal to 105 per cent of the previous year's average statewide township tax rate. The difference between this calculated tax rate and the community's actual tax rate equals the conservation credit, with a minimum conservation credit of \$1.50 per acre. Participants in MALPP simply receive a straight credit of \$1.50 per acre.

The metropolitan program includes a legislative provision that if the conservation fund is insufficient to cover the tax credits, the balance will be appropriated from the State General Fund. There is no such safeguard or guarantee in the statutes governing the statewide preservation program. The viability of funding for the statewide program has been a criticism by counties evaluating the potential for participation in MALPP. Counties that have declined to participate in the program cited concerns over encouraging long-term landowner commitments to preservation without having reciprocal funding guarantees by the State. Counties would be liable to cover the costs of conservation credits which exceed the revenue generated through the local mortgage and deed transaction fee.

Both programs require that the revenue loss to the county from the conservation credits to landowners first be deducted from the respective county conservation fund, the revenue source of which is the county's share (\$2.50 per transaction) of conservation fee revenue. Counties may only draw from the Minnesota Conservation Fund when the value of the conservation credits exceeds the balance in the county conservation fund. On the other hand, any surplus balance in the county conservation fund after payment of conservation credits may be retained by the county and used for other conservation purposes. According to statute, the conservation purposes are;

- “(1) agricultural land preservation and conservation planning and implementation of official controls under this chapter or chapter 473H;
- “(2) soil conservation activities and enforcement of soil loss ordinances;
- “(3) incentives for landowners who create exclusive agricultural use ones;
- “(4) payments to municipalities within the county for the purposes of clauses (1) to (3).” Minn. Stat. § 40A.152, Subd. 2.

The Minnesota Conservation Fund and county conservation funds have been sufficient to cover the costs of the land preservation programs since MALPP was established. Funding within several counties, metropolitan area and statewide, is subsidized by conservation fund contributions from some of the more populated counties. Hennepin County, for example, contributed approximately \$69,000 (half of the total \$5.00 transaction fee revenue) to the

Minnesota conservation Fund in 1997. The county's conservation credits to landowners was only \$21,070, which was easily covered by the county's \$69,000 share of revenues. Ramsey County generated approximately \$60,000 for the Minnesota Conservation Fund in 1997, even though it has no landowners enrolled in the program.

On the other hand, Carver County generated \$13,700 for the Minnesota Conservation Fund in 1997, while requiring \$154,488 in conservation credits for participating landowners. This resulted in a draw from the Minnesota Conservation Fund of approximately \$140,000. Similarly, the three counties participating in the statewide preservation program contributed \$25,815 to the Minnesota Conservation Fund while requiring nearly \$234,000 in conservation credits in 1997. This equates to a draw from the Minnesota Conservation Fund of approximately \$208,000.

While the Minnesota Conservation Fund has remained solvent over the years, changes in the many variables affecting the land preservation programs could alter funding viability. For example, a substantial increase in the number of acres enrolled in the two programs will cause a corresponding increase in the costs of conservation credits. If the revenues supporting the programs do not increase or increase at a slower pace than the rate participation, there is a risk of program costs exceeding program revenue. Such potential shortfalls to counties in the MAPP could be reimbursed by the state General Fund in the Metropolitan program. However, counties would not be reimbursed by the State under the statewide program.

A similar potential impact would result if the amount of the conservation credit to landowners increased—for example, from \$1.50 per acre to \$3.00 per acre—without a corresponding increase in revenue.

The following analysis is intended to summarize existing program funding issues and evaluate future funding issues. The analysis will include the impacts on program funding when variables such as program participation levels and program costs are increased. A number of assumptions are presented in this analysis in order to project future funding issues. The assumptions are a best guess at a reasonable future scenario and should be considered as variables themselves.

Methodology

This analysis projects future net revenue (revenue from mortgage and deed transactions minus expenditures by counties for reimbursement of conservation credits) for the following counties;

- Metropolitan counties (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington)
- Counties currently participating in the MALPP (Waseca, Winona, and Wright)
- Other counties recommended by the evaluation report to be targeted by the MALPP (the eleven most rapidly growing counties: Benton, Chisago, Crow Wing, Goodhue, Isanti, McLeod, Olmsted, Rice, Sherburne, and Stearns – Wright County is already participating)

Both future gross revenue (from mortgage and deed transaction surcharges; the “conservation fee”) and future expenditures for conservation credits, are influenced by many variables and are difficult to predict with any certainty. This analysis forecasts a single set of mortgage and deed transactions and a single set of county acreage amounts enrolled with agricultural preserves. Each of these forecasts is based on a single set of assumptions explained below. No attempt was made to vary these assumptions to generate, for example, “high” and “low” forecasts. Instead, these variables were held constant throughout and the amount of the conservation fee and the amount of the conservation credit were varied to test policy options.

Revenue Forecast

The current program funding mechanism does not lend itself to making reliable or predictable forecasts for future revenues. The number of mortgage registrations and deed transfers appears to be affected by a number of variables which make forecasting rather subjective.

Statewide, and in many of the counties, there appears to be a gradual upward trend in mortgage and deed transactions. This is thought to correspond with population growth. However, there is also a high degree of fluctuation in transactions year-to-year on a statewide level. Examining individual counties, the greatest fluctuation appears in the more populous and rapidly-growing counties, and is most pronounced in the Metropolitan Area. It is thought that these fluctuations are due to variations in interest rates and other economic factors.

This analysis uses a "factor" for each county which, when multiplied by a county's 2020 estimated population, yields a forecast of 2020 mortgage and deed transactions. The factor is a ratio of county mortgage and deed transactions in 1997 to 1997 county population. In this way, a different factor is calculated for each county.

A comparison was made to the population within counties and the number of transactions that occurred. The percent of mortgage and deed transactions to total population for 1990, 1995 and 1997 was calculated for the counties currently participating in the agricultural preservation programs and the eleven fastest growing counties.

Table 1 illustrates the population changes of each county, the number of transactions occurring in each time frame and the percent of transactions to population (the "factor") for each year. While the counties experienced population increases from 1990-1995 and 1995-1997 (except Waseca), the individual number of mortgage and deed transactions varied more dramatically. For example, the number of transactions dropped in Dakota County (9.28%) and Hennepin County (50.09%) between 1990 and 1995. The number of transactions also dropped in Washington County (39.59%) from 1995 to 1997.

For the purposes of estimating future program income, the "factor" identified in 1997 for all of the counties was applied to future population forecasts to establish the projected number of transactions. In other words, the percent of transactions to population in 1997 in each county was applied to a 2020 population forecast for each county to determine the number of potential transactions in 2020.

To test three different sets of assumptions for conservation fees and conservation credits, three sets of tables are used to illustrate potential future program participation and funding implications. These tables are contained in Exhibits A through C attached to this report. Tables A-1, B-1, and C-1 identify the existing agricultural preserve counties and rapid growth counties, where new agricultural land preservation may be targeted. The tables include the number of mortgage and deed transactions, the 1997 "factor" and 2020 population forecasts prepared by the Metropolitan Council or the Minnesota Office of Strategic and Long Range Planning. The factor, when applied to the 2020 forecast, creates the potential number of transactions in each

Table 1
Agriculture Preservation Counties and
Rapid Growth Counties
Population 1990 - 1995

Counties	1990 Pop.	1995 Est. Pop.	1997 Est. Pop	1990 Transactions	1995 Transactions	1997 Transactions	1990 Factors % ¹	1995 Factors % ¹	1997 Factors (%) ¹
Anoka	243,688	272,636	285,271	9,671	14,385	19,369	3.97%	5.28	6.79%
Benton	30,185	33,362	34,057	900	1,565	2,200	2.98%	4.69	6.46%
Carver	47,915	57,010	61,377	2,590	4,142	5,480	5.41%	7.27	8.93%
Chicago	30,521	36,045	38,937	1,620	2,685	2,796	5.31%	7.45	7.18%
Crow Wing	44,249	48,437	50,578	2,622	3,424	4,502	5.93%	7.07	8.90%
Dakota	275,186	316,272	332,657	13,819	12,536	25,098	5.02%	3.96	7.54%
Goodhue	40,690	42,477	42,987	1,900	2,230	2,928	4.67%	5.25	6.81%
Hennepin	1,032,431	1,063,631	1,075,907	42,556	21,241	27,613	4.12%	2.00	2.57%
Isanti	25,921	28,664	29,603	1,321	2,251	2,618	5.10%	7.85	8.84%
McLeod	32,030	33,803	34,493	1,201	1,801	2,385	3.75%	5.33	6.91%
Olmsted	106,470	113,968	116,537	5,549	5,951	8,224	5.21%	5.22	7.06%
Ramsey	485,783	494,674	497,423	14,416	18,936	24,282	2.97%	3.83	4.88%
Rice	49,183	52,232	53,514	2,401	2,746	3,030	4.88%	5.26	5.66%
Scott	57,846	69,303	75,009	2,328	5,398	7,441	4.02%	7.79	9.92%
Sherburne	41,945	51,328	56,682	401	3,579	4,756	0.96%	6.97	8.39%
Stearns	118,791	126,912	130,574	4,264	5,700	7,488	3.59%	4.49	5.73%
Waseca	18,079	18,031	18,626	670	941	1,123	3.71%	5.22	6.03%
Washington	145,880	175,441	187,475	8,256	25,032	15,122	5.66%	14.27	8.07%
Winona	47,828	48,987	49,485	1,723	2,176	2,697	3.60%	4.44	5.45%
Wright	68,710	77,232	82,493	3,297	4,834	6,506	4.80%	6.26	7.89%
Total	1,909,286	2,046,305	3,253,685	121,505	141,553	175,658	4.28%	5.58	7.00%

¹ Factors are a percent of transaction to population for the years shown.

Source: U.S. Census; Mn Office of Strategic and Long Range Planning; Metropolitan Council

county in 2020. Potential gross revenue, multiplying the number of transactions by the assumed transaction fee is also illustrated. Three transaction fees are tested: the current \$5.00 fee, a \$10.00 fee, and a \$17.00 fee.

Expenditure Forecast

Tables A-2, B-2, and C-2 illustrate assumptions and estimates for the level of participation in the preservation programs and the corresponding value of conservation credits in 2020. In order for the calculations to be made, a number of assumptions have to be made. Again, these assumptions are not meant to be forecasts, but serve to highlight potential implications for program participation and funding in the future. As variables, the assumptions can be modified and an analysis can be made on the resulting outcomes. There are literally limitless combinations of the variables that can be made. This report will only highlight a few outcomes.

The first column in Tables A-2, B-2, and C-2 regard 1997 acreage that is eligible for participation in the agricultural land preservation programs. In the metropolitan area, these include only the acreage that is currently planned and zoned for agriculture at a maximum residential density of one home per forty (1:40) acres. The acreages for 1997 are provided by the Metropolitan Council.

Table 2 illustrates the eligible acreage, enrolled acreage (land with agricultural preserve covenants), percent of eligible acreage enrolled, acreage pending expiration, and conservation credits in the metropolitan area from 1982 to 1997. According to Metropolitan Council staff, there were some reporting and recording errors made in the first three years of the program, which led to inaccurate summaries of total eligible acres in those years. The data since 1984 should be accurate and reveal stability in the eligible acres for a number of years, then a decline in eligible acres since 1990 of about 17%.

During the same period, actual acreage in covenants rose throughout the 1980's, dropped in the early 1990's, and rose again in the mid-1990's. The drop in participation corresponds with the dramatic drop in conservation credits to farmers. The more recent increase corresponds with the introduction of the minimum credit of \$1.50 per acre, which became effective in 1993.

Table 2

**Metropolitan Agricultural Preserves
Program Participation: 1982-1997**

Year	Acres Certified Eligible	Acres Enrolled with Covenants	Percent Enrolled	Acres Pending Expiration	Conservation Credits
1982	483,905	61,817	13%	10,720	
1983	595,960	88,358	15%	16,011	\$125,054
1984	554,771	138,870	25%	39,812	\$340,215
1985	601,333	160,129	27%	49,450	\$390,855
1986	592,010	175,813	30%	63,972	\$650,582
1987	609,485	178,144	29%	60,991	\$482,676
1988	610,186	178,656	29%	62,967	\$223,623
1989	611,194	180,450	30%	66,397	\$43,684
1990	611,468	175,641	29%	62,541	\$45,885
1991	592,958	178,748	30%	64,269	\$52,851
1992	593,211	175,079	30%	63,363	\$108,162
1993	558,117	163,775	29%	48,507	\$325,037
1994	559,483	193,586	35%	70,383	\$288,808
1995	523,497	196,421	38%	74,546	\$346,662
1996	504,701	198,247	39%	75,530	\$306,943
1997	505,394	201,927	40%	73,582	\$305,076

Notes:

1. 1992 USDA Census of Agriculture identified total land in farms in metropolitan area as 762,838 acres.
2. Minimum conservation credit of \$1.50 per acre was effective 1993.
3. Maximum credit during program occurred in 1986 (\$3.70/acre).

Source: Metropolitan Council - Agricultural Preserves Program Status Reports, 1982-1997.

The drop in eligible acres and increase in acres covenanted resulted in an overall increase in the percent of eligible acres which are enrolled in the program. According to the Metropolitan Council staff, recent declines in eligibility reflect major portions of a few communities, which were redesignated from 1:40 densities to 4:40 densities in comprehensive plan amendments. In most instances, the communities were not discouraging landowners from participating in the program, but they were relaxing development restrictions for those that did not participate in the program. These actions resulted in a reduction of over 50,000 eligible acres in the last three years, but no corresponding decrease in participation.

For the purposes of this analysis, it is assumed there will be no change in eligible acres and the percent of enrollment, between 1997 and 2020, in the metropolitan area. This is an assumption, not a prediction, but is used, in part, because it would be equally speculative to increase or decrease these acreages. These numbers were also left unchanged because the majority of participating communities have already completed 2020 comprehensive plan amendments, which indicate 1:40 acreages will remain static. It is also apparent that growth within the region can be accommodated without further impacting these areas in the next 20 years. As variables, these assumptions can be adjusted by others to gauge alternative program outcomes and implications.

The statewide program does not currently require maximum densities for eligibility or participation in the program. An assumption suggested by Minnesota Department of Agriculture staff was to use the metropolitan area planning and zoning criteria for the existing and potential statewide program participants. This will allow for values to be placed in the model for evaluation. It will also allow for parity in the criteria for program participation and comparisons between the land preservation programs.

Since there is no requirement in the statewide program to certify eligible acres, another assumption has to be made. The amount of eligible acreage for the statewide counties was based upon the estimated acres in each county that are currently designated at a 1:40 density. These estimates were obtained from the survey of counties completed in 1998. A spreadsheet of the counties and the acreages is attached as **Exhibit D**.

Another assumption made regards the change in eligible acres in the statewide counties from 1997 to 2020. In the instances where existing acreages are shown for 1997, there is no change assumed in 2020. In those instances where there are no values for 1997 (Crow Wing, Chisago, Isanti, and Stearns counties) an arbitrary value was established for potential 2020 eligible acres. In the absence of any rational criteria, a modest 15% of the 1992 agriculture census estimate of total farm acreage was assigned as the 2020 eligible acreage in these counties.

The final variable to be established is the percent of eligible land in the statewide counties that could be enrolled in the land preservation program. As illustrated earlier, the percentage in the metropolitan area program for 2020 was left at 40%. The percent enrollment of the three current

statewide participating counties varies from 46% to 3% for an average of 16% (the percentages of eligible land enrolled in the program in the individual counties are: Waseca, 46%; Winona, 9%; and Wright, 3%).

For the sake of evaluation, a 25% participation rate is used for the statewide counties in 2020 (except Waseca, which was left at 46%). This rate is higher than the existing average statewide county participation rate, but lower than the metropolitan area percentage.

Net Revenue Forecast

Tables A-3, B-3, and C-3 illustrate the net effect of the variables selected on the current funding mechanisms of the agricultural land preservation programs. Table A-3 is based upon the current \$5.00 transaction fee and a straight \$1.50 per acre conservation credit.

Exhibit B is an illustration in which the conservation fee was increased from \$5.00/transaction to \$10.00/transaction. No other assumptions were changed. The resulting effects include adjustments to 2020 gross revenue (Table B-1) and the county and Minnesota Conservation Fund revenues shown on Table B-3. There are no changes to the acreage assumptions or conservation credits illustrated on Table B-2.

A final illustration (Exhibit C) establishes the conservation credit at \$3.00 per acre, or double the current rate. In order to maintain a positive balance in the Minnesota Conservation Fund in 2020, the conservation fee would have to be raised from the current rate of \$5.00/transaction to \$17.00/transaction. The resulting net revenue is a positive \$108,884 to the Minnesota Conservation Fund.

Neither of the illustrations in Exhibits A, B or C represent cumulative fund balances. They are a snapshot of a single year using the variables identified.

Summary

This report summarizes current program funding mechanisms and establishes assumptions about future program participation in order to identify funding implications. The primary variables which affect future program funding include the amount of mortgage and deed transactions, the

amount of acres enrolled in the preservation programs, the conservation fund amount, and the conservation credit amount.

Exhibits A through C illustrate various assumptions for the existing MALPP and MAPP participating counties, as well as ten additional MALPP participants. Each exhibit assumes a constant level of mortgage and deed transactions (223,593 transactions) and acreage enrolled in agricultural land preservation programs (903,351 acres). The exhibits vary from each other in the values assigned to the conservation fees and the conservation credits.

Exhibit A incorporates the existing conservation fee of \$5.00/transaction and conservation credit of \$1.50/acre. With over 900,000 acres enrolled, the net revenue in the 2020 Minnesota Conservation Fund is a negative \$475,869.

Exhibit B adjusts the conservation fee from \$5.00/transaction to \$10.00/transaction. The effect of doubling the conservation fee is a positive net revenue to the 2020 Minnesota Conservation Fund of \$261,197.

Exhibit C doubles the conservation credit from \$1.50/acre to \$3.00/acre and adjusts the conservation fee from \$5.00/transaction to \$17.00/transaction. This scenario illustrates what whole dollar conservation fee would be necessary to support the increase in the conservation credit, while maintaining a positive 2020 Minnesota Conservation Fund balance (forecast to be \$108,884).

There are virtually limitless illustrations that can be prepared by changing the variables. Evaluating a variety of illustrations such as these exhibits may be useful in determining the funding implications of certain goals for the amount of land to be enrolled in preservation programs. Conversely, adjustments in either the conservation fee or conservation credit can be evaluated in terms of potential impacts on program enrollment.

Conservation Fee Used: \$5.00
Conservation Credit Used: \$1.50

EXHIBIT A: TABLE A-1

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Population, Mortgage/Deed Transactions, and Revenue

Counties	1997 Trans- actions	Est. 2020 Pop.	% of Trans- actions to Pop. (based on 1997)	Potential 2020 Trans-actions	Est. Revenue
Anoka	19,369	350,410	6.79%	23,792	\$118,959
Benton	2,200	46,980	6.46%	3,035	\$15,174
Carver	5,480	104,420	8.93%	9,323	\$46,615
Chisago	2,796	52,670	7.18%	3,782	\$18,911
Crow Wing	4,502	59,730	8.90%	5,317	\$26,583
Dakota	25,098	456,160	7.54%	34,416	\$172,080
Goodhue	2,928	47,290	6.81%	3,221	\$16,105
Hennepin	27,613	1,216,480	2.57%	31,221	\$156,104
Isanti	2,618	33,910	8.84%	2,999	\$14,994
McLeod	2,385	40,310	6.91%	2,787	\$13,936
Olmsted	8,224	129,490	7.06%	9,138	\$45,690
Ramsey	24,282	537,340	4.88%	26,231	\$131,153
Rice	3,030	58,560	5.66%	3,316	\$16,579
Scott	7,441	137,910	9.92%	13,681	\$68,404
Sherburne	4,756	91,620	8.39%	7,688	\$38,438
Stearns	7,488	144,050	5.73%	8,261	\$41,304
Waseca	1,123	17,150	6.03%	1,034	\$5,170
Washington	15,122	288,670	8.07%	23,285	\$116,423
Winona	2,697	50,350	5.45%	2,744	\$13,721
Wright	6,506	105,550	7.89%	8,324	\$41,622
Total	175,658	3,969,050	N/A	223,593	\$1,117,965

Conservation Fee Used: \$5.00
Conservation Credit Used: \$1.50

EXHIBIT A: TABLE A-2

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Agricultural Preserve Acreage and Conservation Credits

Counties	1997 Eligible Acreage	Assumed Amount Change, 1997 to 2020	2020 Eligible Acreage	Assumed % of Eligible Acreage	2020 Estimated Agricultural Preserves	2020 Estimated Conservation Credit
Anoka	3288	0	3288	40	1,315	\$1,973
Benton	171795	0	171795	25	42,949	\$64,423
Carver	194645	0	194645	40	77,858	\$116,787
Chisago	0	20789	20789	25	5,197	\$7,796
Crow Wing	0	19602	19602	25	4,901	\$7,351
Dakota	203399	0	203399	40	81,360	\$122,039
Goodhue	399680	0	399680	25	99,920	\$149,880
Hennepin	33381	0	33381	40	13,352	\$20,029
Isanti	0	19734	19734	25	4,934	\$7,400
McLeod	291150	0	291150	25	72,788	\$109,181
Olmsted	188820	0	188820	25	47,205	\$70,808
Ramsey	0	0	0	0	0	\$0
Rice	264080	0	264080	25	66,020	\$99,030
Scott	55533	0	55533	40	22,213	\$33,320
Sherburne	144050	0	144050	25	36,013	\$54,019
Stearns	0	96564	96564	25	24,141	\$36,212
Waseca	249390	0	249390	46	114,719	\$172,079
Washington	15148	0	15148	40	6,059	\$9,089
Winona	369630	0	369630	25	92,408	\$138,611
Wright	360000	0	360000	25	90,000	\$135,000
Total	2943989	156689	3100678	N/A	903,351	\$1,355,026

Conservation Fee Used: \$5.00
Conservation Credit Used: \$1.50

EXHIBIT A: TABLE A-3

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Revenue and Expenditures from Conservation Funds

Counties	2020 County Cons. Fund Revenue	2020 Estimated Conservation Credit	2020 County Cons. Fund Net Revenue	2020 Charge to Minn. Cons. Fund	2020 Minn. Cons. Fund Revenue	2020 Minn. Cons. Fund Net Revenue
Anoka	\$59,479	\$1,973	\$57,507	\$0	\$59,479	\$59,479
Benton	\$7,587	\$64,423	\$0	(\$56,836)	\$7,587	(\$49,249)
Carver	\$23,308	\$116,787	\$0	(\$93,479)	\$23,308	(\$70,172)
Chisago	\$9,455	\$7,796	\$1,659	\$0	\$9,455	\$9,455
Crow Wing	\$13,292	\$7,351	\$5,941	\$0	\$13,292	\$13,292
Dakota	\$86,040	\$122,039	\$0	(\$36,000)	\$86,040	\$50,040
Goodhue	\$8,053	\$149,880	\$0	(\$141,827)	\$8,053	(\$133,775)
Hennepin	\$78,052	\$20,029	\$58,023	\$0	\$78,052	\$78,052
Isanti	\$7,497	\$7,400	\$97	\$0	\$7,497	\$7,497
McLeod	\$6,968	\$109,181	\$0	(\$102,213)	\$6,968	(\$95,245)
Olmsted	\$22,845	\$70,808	\$0	(\$47,962)	\$22,845	(\$25,117)
Ramsey	\$65,576	\$0	\$65,576	\$0	\$65,576	\$65,576
Rice	\$8,289	\$99,030	\$0	(\$90,741)	\$8,289	(\$82,451)
Scott	\$34,202	\$33,320	\$882	\$0	\$34,202	\$34,202
Sherburne	\$19,219	\$54,019	\$0	(\$34,800)	\$19,219	(\$15,581)
Stearns	\$20,652	\$36,212	\$0	(\$15,559)	\$20,652	\$5,093
Waseca	\$2,585	\$172,079	\$0	(\$169,494)	\$2,585	(\$166,909)
Washington	\$58,211	\$9,089	\$49,123	\$0	\$58,211	\$58,211
Winona	\$6,860	\$138,611	\$0	(\$131,751)	\$6,860	(\$124,891)
Wright	\$20,811	\$135,000	\$0	(\$114,189)	\$20,811	(\$93,378)
Total	\$558,983	\$1,355,026	\$238,809	(\$1,034,852)	\$558,983	(\$475,869)

Conservation Fee Used: \$10.00
Conservation Credit Used: \$1.50

EXHIBIT A: TABLE B-1

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Population, Mortgage/Deed Transactions, and Revenue

Counties	1997 Trans- actions	Est. 2020 Pop.	% of Trans- actions to Potential Pop.		Est. Revenue
			(based on 1997)	2020 Trans- actions	
Anoka	19,369	350,410	6.79%	23,792	\$237,917
Benton	2,200	46,980	6.46%	3,035	\$30,348
Carver	5,480	104,420	8.93%	9,323	\$93,231
Chisago	2,796	52,670	7.18%	3,782	\$37,821
Crow Wing	4,502	59,730	8.90%	5,317	\$53,166
Dakota	25,098	456,160	7.54%	34,416	\$344,159
Goodhue	2,928	47,290	6.81%	3,221	\$32,211
Hennepin	27,613	1,216,480	2.57%	31,221	\$312,208
Isanti	2,618	33,910	8.84%	2,999	\$29,989
McLeod	2,385	40,310	6.91%	2,787	\$27,872
Olmsted	8,224	129,490	7.06%	9,138	\$91,381
Ramsey	24,282	537,340	4.88%	26,231	\$262,306
Rice	3,030	58,560	5.66%	3,316	\$33,157
Scott	7,441	137,910	9.92%	13,681	\$136,809
Sherburne	4,756	91,620	8.39%	7,688	\$76,875
Stearns	7,488	144,050	5.73%	8,261	\$82,608
Waseca	1,123	17,150	6.03%	1,034	\$10,340
Washington	15,122	288,670	8.07%	23,285	\$232,845
Winona	2,697	50,350	5.45%	2,744	\$27,441
Wright	6,506	105,550	7.89%	8,324	\$83,244
Total	175,658	3,969,050	N/A	223,593	\$2,235,930

Conservation Fee Used: \$10.00
Conservation Credit Used: \$1.50

EXHIBIT A: TABLE B-2

**Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Agricultural Preserve Acreage and Conservation Credits**

Counties	1997 Eligible Acreage	Assumed Amount Change, 1997 to 2020	2020 Eligible Acreage	Assumed % of Eligible Acreage	2020 Estimated Agricultural Preserves	2020 Estimated Conservation Credit
Anoka	3288	0	3288	40	1,315	\$1,973
Benton	171795	0	171795	25	42,949	\$64,423
Carver	194645	0	194645	40	77,858	\$116,787
Chisago	0	20789	20789	25	5,197	\$7,796
Crow Wing	0	19602	19602	25	4,901	\$7,351
Dakota	203399	0	203399	40	81,360	\$122,039
Goodhue	399680	0	399680	25	99,920	\$149,880
Hennepin	33381	0	33381	40	13,352	\$20,029
Isanti	0	19734	19734	25	4,934	\$7,400
McLeod	291150	0	291150	25	72,788	\$109,181
Olmsted	188820	0	188820	25	47,205	\$70,808
Ramsey	0	0	0	0	0	\$0
Rice	264080	0	264080	25	66,020	\$99,030
Scott	55533	0	55533	40	22,213	\$33,320
Sherburne	144050	0	144050	25	36,013	\$54,019
Stearns	0	96564	96564	25	24,141	\$36,212
Waseca	249390	0	249390	46	114,719	\$172,079
Washington	15148	0	15148	40	6,059	\$9,089
Winona	369630	0	369630	25	92,408	\$138,611
Wright	360000	0	360000	25	90,000	\$135,000
Total	2943989	156689	3100678	N/A	903,351	\$1,355,026

Conservation Fee Used: \$10.00
Conservation Credit Used: \$1.50

EXHIBIT A: TABLE B-3

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Revenue and Expenditures from Conservation Funds

Counties	2020 County Cons. Fund Revenue	2020 Estimated Conservation Credit	2020 County Cons. Fund Net Revenue	2020 Charge to Minn. Cons. Fund	2020 Minn. Cons. Fund Revenue	2020 Minn. Cons. Fund Net Revenue
Anoka	\$118,959	\$1,973	\$116,986	\$0	\$118,959	\$118,959
Benton	\$15,174	\$64,423	\$0	(\$49,249)	\$15,174	(\$34,075)
Carver	\$46,615	\$116,787	\$0	(\$70,172)	\$46,615	(\$23,556)
Chisago	\$18,911	\$7,796	\$11,115	\$0	\$18,911	\$18,911
Crow Wing	\$26,583	\$7,351	\$19,232	\$0	\$26,583	\$26,583
Dakota	\$172,080	\$122,039	\$50,040	\$0	\$172,080	\$172,080
Goodhue	\$16,105	\$149,880	\$0	(\$133,775)	\$16,105	(\$117,669)
Hennepin	\$156,104	\$20,029	\$136,075	\$0	\$156,104	\$156,104
Isanti	\$14,994	\$7,400	\$7,594	\$0	\$14,994	\$14,994
McLeod	\$13,936	\$109,181	\$0	(\$95,245)	\$13,936	(\$81,309)
Olmsted	\$45,690	\$70,808	\$0	(\$25,117)	\$45,690	\$20,573
Ramsey	\$131,153	\$0	\$131,153	\$0	\$131,153	\$131,153
Rice	\$16,579	\$99,030	\$0	(\$82,451)	\$16,579	(\$65,873)
Scott	\$68,404	\$33,320	\$35,085	\$0	\$68,404	\$68,404
Sherburne	\$38,438	\$54,019	\$0	(\$15,581)	\$38,438	\$22,857
Stearns	\$41,304	\$36,212	\$5,093	\$0	\$41,304	\$41,304
Waseca	\$5,170	\$172,079	\$0	(\$166,909)	\$5,170	(\$161,739)
Washington	\$116,423	\$9,089	\$107,334	\$0	\$116,423	\$116,423
Winona	\$13,721	\$138,611	\$0	(\$124,891)	\$13,721	(\$111,170)
Wright	\$41,622	\$135,000	\$0	(\$93,378)	\$41,622	(\$51,756)
Total	\$1,117,965	\$1,355,026	\$619,707	(\$856,768)	\$1,117,965	\$261,197

Conservation Fee Used: \$17.00
Conservation Credit Used: \$3.00

EXHIBIT A: TABLE C-1

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Population, Mortgage/Deed Transactions, and Revenue

Counties	1997 Transactions	Est. 2020 Pop.	% of Transactions to Pop. (based on 1997)	Potential 2020 Transactions	Est. Revenue
Anoka	19,369	350,410	6.79%	23,792	\$404,459
Benton	2,200	46,980	6.46%	3,035	\$51,592
Carver	5,480	104,420	8.93%	9,323	\$158,492
Chisago	2,796	52,670	7.18%	3,782	\$64,296
Crow Wing	4,502	59,730	8.90%	5,317	\$90,383
Dakota	25,098	456,160	7.54%	34,416	\$585,071
Goodhue	2,928	47,290	6.81%	3,221	\$54,759
Hennepin	27,613	1,216,480	2.57%	31,221	\$530,753
Isanti	2,618	33,910	8.84%	2,999	\$50,981
McLeod	2,385	40,310	6.91%	2,787	\$47,383
Olmsted	8,224	129,490	7.06%	9,138	\$155,348
Ramsey	24,282	537,340	4.88%	26,231	\$445,920
Rice	3,030	58,560	5.66%	3,316	\$56,367
Scott	7,441	137,910	9.92%	13,681	\$232,575
Sherburne	4,756	91,620	8.39%	7,688	\$130,688
Stearns	7,488	144,050	5.73%	8,261	\$140,434
Waseca	1,123	17,150	6.03%	1,034	\$17,578
Washington	15,122	288,670	8.07%	23,285	\$395,837
Winona	2,697	50,350	5.45%	2,744	\$46,650
Wright	6,506	105,550	7.89%	8,324	\$141,516
Total	175,658	3,969,050	N/A	223,593	\$3,801,081

Conservation Fee Used: \$17.00
Conservation Credit Used: \$3.00

EXHIBIT A: TABLE C-2

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Agricultural Preserve Acreage and Conservation Credits

Counties	1997 Eligible Acreage	Assumed Amount Change, 1997 to 2020	2020 Eligible Acreage	Assumed % of Eligible Acreage	2020 Estimated Agricultural Preserves	2020 Estimated Conservation Credit
Anoka	3288	0	3288	40	1,315	\$3,946
Benton	171795	0	171795	25	42,949	\$128,846
Carver	194645	0	194645	40	77,858	\$233,574
Chisago	0	20789	20789	25	5,197	\$15,592
Crow Wing	0	19602	19602	25	4,901	\$14,702
Dakota	203399	0	203399	40	81,360	\$244,079
Goodhue	399680	0	399680	25	99,920	\$299,760
Hennepin	33381	0	33381	40	13,352	\$40,057
Isanti	0	19734	19734	25	4,934	\$14,801
McLeod	291150	0	291150	25	72,788	\$218,363
Olmsted	188820	0	188820	25	47,205	\$141,615
Ramsey	0	0	0	0	0	\$0
Rice	264080	0	264080	25	66,020	\$198,060
Scott	55533	0	55533	40	22,213	\$66,640
Sherburne	144050	0	144050	25	36,013	\$108,038
Stearns	0	96564	96564	25	24,141	\$72,423
Waseca	249390	0	249390	46	114,719	\$344,158
Washington	15148	0	15148	40	6,059	\$18,178
Winona	369630	0	369630	25	92,408	\$277,223
Wright	360000	0	360000	25	90,000	\$270,000
Total	2943989	156689	3100678	N/A	903,351	\$2,710,052

Conservation Fee Used: \$17.00
Conservation Credit Used: \$3.00

EXHIBIT A: TABLE C-3

Agricultural Land Preservation Counties and
Rapid Growth Counties
2020 Revenue and Expenditures from Conservation Funds

Counties	2020 County Conservation Fund Revenue	2020 Estimated Conservation Credit	2020 County Conservation Fund Net Revenue	2020 Charge to Minnesota Conservation Fund	2020 Minnesota Conservation Fund Revenue	2020 Minnesota Conservation Fund Net Revenue
Anoka	\$202,230	\$3,946	\$198,284	\$0	\$202,230	\$202,230
Benton	\$25,796	\$128,846	\$0	(\$103,050)	\$25,796	(\$77,255)
Carver	\$79,246	\$233,574	\$0	(\$154,328)	\$79,246	(\$75,082)
Chisago	\$32,148	\$15,592	\$16,556	\$0	\$32,148	\$32,148
Crow Wing	\$45,191	\$14,702	\$30,490	\$0	\$45,191	\$45,191
Dakota	\$292,535	\$244,079	\$48,457	\$0	\$292,535	\$292,535
Goodhue	\$27,379	\$299,760	\$0	(\$272,381)	\$27,379	(\$245,001)
Hennepin	\$265,377	\$40,057	\$225,319	\$0	\$265,377	\$265,377
Isanti	\$25,491	\$14,801	\$10,690	\$0	\$25,491	\$25,491
McLeod	\$23,691	\$218,363	\$0	(\$194,671)	\$23,691	(\$170,980)
Olmsted	\$77,674	\$141,615	\$0	(\$63,941)	\$77,674	\$13,733
Ramsey	\$222,960	\$0	\$222,960	\$0	\$222,960	\$222,960
Rice	\$28,184	\$198,060	\$0	(\$169,876)	\$28,184	(\$141,693)
Scott	\$116,287	\$66,640	\$49,648	\$0	\$116,287	\$116,287
Sherburne	\$65,344	\$108,038	\$0	(\$42,693)	\$65,344	\$22,651
Stearns	\$70,217	\$72,423	\$0	(\$2,206)	\$70,217	\$68,011
Waseca	\$8,789	\$344,158	\$0	(\$335,369)	\$8,789	(\$326,580)
Washington	\$197,919	\$18,178	\$179,741	\$0	\$197,919	\$197,919
Winona	\$23,325	\$277,223	\$0	(\$253,897)	\$23,325	(\$230,572)
Wright	\$70,758	\$270,000	\$0	(\$199,242)	\$70,758	(\$128,484)
Total	\$1,900,541	\$2,710,052	\$982,145	(\$1,791,656)	\$1,900,541	\$108,884

Minnesota County Planning and Agricultural Zoning Summary

County	Date of Comprehensive Plan	Agricultural Zoning District	Residential Density (not minimum lot size)	Density Equivalent for Ranking	Note	Percentage of County Zoned Agriculture	Percentage of County 1:20 or more restrictive(1)	Size of County (acres)	Approximate Zoned Acres or Certified Acres (2)
Aitkin	1972 (being updated)	Farm Residential	16:40	2.5	2.5-acre min. lot.	50%	0%	1,276,900	0
Anoka	Being updated.	local zoning	1:40	40.0	3,288 acres certified			285,200	3,288
Becker	1967 (being updated)	General Agriculture	16:40	2.5	5-acre min. lot.	80%	0%	924,300	0
Beltrami	n/a	n/a						1,955,600	0
Benton	1989	A1	1:40	40.0	1:40 is permitted; up to 4 units with conditions	65 to 70%	65%	264,300	171,795
Big Stone	1971	AP-1 (prime); AP-2 (marginal)	5-acre lot	5.0		90-95%	0%	338,100	0
Blue Earth	1998	Agriculture	1:40	40.0		75%	75%	490,200	367,650
Brown	1992	Agriculture	2.5-acre lot	2.5		95%	0%	395,900	0
Carlton	1967	Limited Ag/Forest	20-acre lot	20.0		45%	45%	560,500	252,225
Carver	1998	Conservation	1:40	40.0	194,645 acres certified	95%	95%	240,500	194,645
Cass	1993	Agriculture/Forestry	1:40	40.0		15%	15%	1,545,600	231,840
Chippewa	1972	AG-1; AG-2	3-acre lot	3.0	Being amended.	85-90%	0%	376,000	0
Chicago	1996	Agriculture	8:40	5.0		70%	0%	283,100	0
Clay	1980	APQ1	4:160	40.0		95%	95%	674,200	640,490
Clearwater	1967	n/a						658,900	0
Cook	1997	Agriculture	5-acre lot	5.0		90%	0%	1,033,100	0
Cottonwood	77old	Agriculture	6:640	106.7		98%	98%	415,200	406,896
Crow Wing	1995	Agriculture	15-acre lot	15.0		33%	0%	739,800	0
Dakota	1998	local zoning	1:40	40.0	204,000 acres certified			375,500	204,000
Dodge	1995	Agriculture	1:160	160.0		90%	90%	281,200	253,080
Douglas	1986 (currently updating)	Agriculture	1:10; 1:20	20.0		60%	30%	460,600	138,180
Fairbault	n/a	A-1; A-2	5-acre lot; 5-acre lot	5.0		??	0	461,500	0
Fillmore	1994	Agriculture	1:40	40.0		90%	90%	551,700	496,530
Freeborn	1988	Agriculture	6:640	106.7	6 non-farm homes per section	70%	70%	462,700	323,890
Goodhue		A1 (Ag Preserves); A2 (Agriculture); A3 (Urban Fringe)							
Grant	1989	n/a	4:640; 12:640; 35-acre lots	120.0		80%	80%	499,600	399,680
	being updated							368,000	0
	being updated (Transportation and Park/Rec components only.)								
Hennepin	1967 (being updated)	local zoning	1:40	40.0	33,381 acres certified			389,000	33,381
Houston		A1 (Ag Preserves)	1:40	40.0	One per quarter quarter section.	100%	100%	364,200	364,200

Minnesota County Planning and Agricultural Zoning Summary

County	Date of Comprehensive Plan	Agricultural Zoning Districts	Residential Density (per acre or minimum lot size)	Density Equivalent for Ranking	Notes	Percentage of County Zoned Agriculture	Percentage of County 1:20 or more restrictive(1)	Size of County (acres)	Approximate Zoned Acres or Certified Acres (2)
Hubbard	n/a	n/a						639,900	0
Isanti	1995 (being updated)	Agriculture	2:40	20.0	Two homes per quarter section.	60-65%	60%	289,600	173,760
Itasca	being updated	Farm/Residential	2.5-acre lot	2.5		16%	0%	1,874,000	0
Jackson	1978	Agriculture	1:80	80.0		85%	85%	460,600	391,510
Kanabec	n/a	n/a						341,500	0
Kandiyohi	1972	AP, General Ag.	1:40; 5-acre lot	40.0		40%; 30%	40%	552,200	220,880
Kittson	1996	Agriculture	No standard.			95%+	0%	707,000	0
Koochiching	n/a	AE-1 (Ag/Forest)	2.5-acre lot	2.5		25%	0%	2,018,600	0
Lee Qui Parle	1998	Agriculture	3-acre lot	3.0		90-95%	0%	498,200	0
Lake	1995	no agricultural districts						1,466,500	0
Lake of the Woods	1978 (being updated)	Agriculture/Natural Environment	No standard.			35%	0%	1,138,200	0
Le Sueur	1996	Agriculture; Ag/Residential	1:40/1:6; 640; 1:40/24:640	40.0	Up to 24 per section under certain conditions in Ag/Res.	75%	75%	302,900	227,175
Lincoln	1999	n/a						351,100	0
Lyon	1982	Agriculture	1:40	40.0	1 non-farm dwelling per 40	90%+	90%	461,800	415,620
Mannomen	n/a	n/a						373,300	0
Marshall	n/a	n/a						1,160,300	0
Martin	1970	Agriculture	1-acre lot	1.0		80-90%	0%	467,000	0
McLeod	1995 (being updated)	Agriculture	1:40	40.0	Density can be higher when farming is difficult.	90%	90%	323,500	291,150
Meeker	1983	A1 (Ag Preserves); A2 (General Agriculture)	1:80; 1:40	80.0		90%	90%	412,800	371,520
Millie Lake	1990	A1	2.5-acre lot	2.5		60%	0%	436,400	0
Morrison	1989	Agriculture; Agriculture/Forest	5-acre lot; 10-acre lot	10.0		85%	0%	738,300	0
Mower	1993	Agriculture	1:160	160.0		95%	95%	455,000	432,250
Murray	1972	Agriculture	1:40	40.0		85%	85%	460,500	391,425
Nicollet	1985	Agriculture	1:40	40.0		85-90%	85%	298,800	253,980
Nobles	1982	AP	1:40	40.0	2.5-acre min. lot split	90%	90%	462,000	415,800
Norman	n/a	Agricultural	3-acres	3.0	Lot can be 60% of required size.	95%	0%	561,300	0
Olmitstead	1995 (currently updating)	A1/A2 (Ag Preserves); A3/A4 (Urban Expansion)	3:160 to 1:35	53.3		45%	45%	419,600	188,820
Other Tail	1975	n/a (Shoreland only.)			62 townships; 22 have some type of zoning rule...don't know density....; half county covered by shoreland regs....1,049 lakes; Bob Stomies, U Extension, local guy-- 218-739-7130			1,423,300	0

Minnesota County Planning and Agricultural Zoning Summary

County	Date of Comprehensive Plan	Agricultural Zoning District	Residential Density (not or minimum lot size)	Density Equivalent for Ranking	Notes	Percentage of County Zoned Agriculture	Percentage of County 1:20 or more restrictive(1)	Size of County (acres)	Approximate Zoned Acres or Certified Acres (2)
Pennington	Developing one. 1993	n/a (Shoreland only.)						395,400	0
Pine		n/a (Shoreland only.)						918,100	0
Pipestone	1978	Agriculture; A1 (urban expansion)	2:160; 35-acre lot	80.0		90%; 1%	90%	298,200	268,310
Polk	1997	Agriculture	1.5-acre lot	1.5	About 10 of 51 townships do more restrictive zoning. (e.g., 1:5 or 1:40).	90%	0%	1,278,000	0
Pope	Developing one (1998)	Will develop following Comp. Plan. (Only Shoreland currently.)			feedlot regs in development			459,100	0
Ramsey	1998	n/a						108,900	0
Red Lake	n/a	n/a						277,000	0
Redwood	1970	Agriculture	3:40	13.3	3 non-farm dwellings per 40 acres	98%	0%	564,200	0
Renville	1995 (Land Use Plan)	Agriculture-1,-2,-3,-4	1:40	40.0	1 per quarter quarter section	almost all	95%	632,100	600,495
Rice	1995	General Agriculture; A-1 (Urban Expansion)	1 per quarter-quarter (35-acre min. lot); 35-acre lot size	40.0	Additional 2.5 acre lot allowed in Gen. Ag. if located on poor soils or in woods.	80%+	80%	330,100	264,080
Rock (information not available)								309,100	0
Roseau	n/a	n/a						1,073,800	0
Saint Louis	components vary; some current	FAM land use (Forestry/Agriculture Management)	1:35; 1:17; 1:9	35.0	35-acre lot size requirement encompasses 10-15% of county and includes public land.	35%	10%	4,315,900	431,590
Scott	1996	A-1, A-2, A-3	40-acre lot, 10-acre lot, 1:40 (can cluster)	40.0	55,553 acres certified	11 townships: 2/3 is A2 and 1/3 is A1	33%	236,000	55,553
Sherburne	being updated	Agriculture	1:40	40.0	5-acre lots can be platted in non-fermable land	50%	50%	288,100	144,050
Sibley	1997	Agriculture; Conservancy	1:40; 1:5	40.0	1:5 may become 1:2	95%; 3%	95%	384,100	364,895
Slemons	1998	Developing zoning ordinance.			There is a platting moratorium while they develop ordinance. Twenty of 37 townships do zoning; new ordinance will be preservation oriented.			889,700	0
Steele	1998	Agricultural; Interim Agriculture	1 per quarter-quarter; 40-acre lot	40.0		65-70%; 2%	67%	276,600	185,322
Stevens								367,800	0
Swift	1993	A-1/A-3 (prime); A-2/A-4 (non-tillable)	40-acre lot 2.5-acre lot	40.0		60%; 20%	60%	481,200	288,720

Minnesota County Planning and Agricultural Zoning Summary

County	Date of Comprehensive Plan	Agricultural Zoning District	Residential Density (not or minimum lot size)	Density Equivalent for Ranking	Note	Percentage of County Zoned Agriculture	Percentage of County 1:20 or more restrictive(1)	Size of County (acres)	Approximate Zoned Acres or Certified Acres (2)
Todd	1970 (currently being updated)	Agriculture	1:40	40.0	minimum 1-acre lot	60%	60%	627,000	376,200
Traverse	n/a	n/a (Shoreland only.)						375,700	0
Wabasha	1998	n/a (Shoreland only.)			7 of 17 townships have zoning.			351,900	0
Wadena	being updated	A-1 (transitional); A-2 (forestry, fishing); A-3 (general)	1:40	40.0		95%	95%	347,500	330,125
Waseca	1987 Ag Preservation Plan only	A-1	1 non-farm per quarter section; 1 acre min. lot	160.0	Applying for CBPA grant; Need plan to address issue of pre-existing lots being allowed to develop.	90%	90%	277,100	249,390
Washington	1995	AP; A-1; A-2; A-4	40-acre lot; 40-acre lot; 20-acre lot; 10-acre lot	40.0	15,148 acres certified	95-98%	0	270,500	15,148
Watonwan	n/a	Agriculture	5-acre lot	5.0				281,300	0
Wilkin	n/a	Ag.	One non-farm per quarter-quarter.	40.0	2.5-acre minimum lot	90%	90%	481,000	432,900
Winona	being updated	Agriculture/Natural Resources	1:40	40.0	One non-farm per quarter quarter section.	90%	90%	410,700	369,630
Wright	General plan; 1988; Township component; ongoing	General Agriculture; Agricultural/Residential	1:40; 4:40	40.0	360,000 acres certified	60-70%; 15-20%	60%	456,800	360,000
Yellow Medicine	1970's	Rural Preservation	One non-farm per quarter-quarter.	40.0	3-acre minimum lot	90%	90%	488,400	439,560
(1) Low end of range quoted.						Grand Total		54,016,900	13,431,698
(2) Approximate zoned acres is calculated by multiplying the percentage of County 1:20 or more restrictive by the size of the County. If certified acres are used, it is noted in the "Note" column.									

Appendix B
STATE AGRICULTURAL LAND PRESERVATION PROGRAMS
Summary of Stakeholder Interviews

STATE AGRICULTURAL LAND PRESERVATION PROGRAMS

Summary of Stakeholder Interviews

Introduction

This study included a survey of various stakeholders regarding their awareness and opinions about the principal agricultural land preservation programs and policies in the State of Minnesota. The backgrounds of the individuals include policy makers, public officials, farmland advocates and individuals involved in commercial agriculture. The survey questionnaire is attached as Exhibit 1.

Stakeholders answered a variety of questions that addressed the Metropolitan Agricultural Preserves Program, the Statewide Agricultural Preserves Program, the Green Acres Program, the Right to Farm Law, planning programs and legislation, and the State Agricultural Land Preservation and Conservation Policy.

Importance of Agricultural Economy

All stakeholders see the strength of the agricultural economy as key in maintaining the State's agricultural land base. Stakeholders identified many interrelated factors that influence the decision of a landowner to maintain agricultural production. These include farmers' expectations about income (including their retirement nest egg), the market value of their products, and income that they could receive as a result of selling their land (either now or in the future).

Effectiveness of State Programs

Some stakeholders focused on the intent and educational aspects of the State's agricultural land preservation programs and policies, as well as their belief that the programs provide real benefits to individual farmers and help to maintain a base of farmland in places where participation is commonplace.

Many responders, however, reflect the belief that State programs do not comprehensively or effectively address agricultural land conversion. Stakeholders felt that programs do not appropriately target areas that are truly at risk of conversion from productive agricultural land to other uses. While some view land use covenants as preservation in and of itself, most stakeholders believe that the program is ineffective when participation does not preserve land that is at risk of being developed. Alternatively, they criticize the program because it can provide benefits to those whose intentions are to develop the land at a later date. In summary, comments reflected the belief that benefits were provided in areas with low risk of land conversion, land was being preserved for insufficient periods of time, and that benefits were not sufficient to encourage participation in areas that should be targeted for participation.

Importance and Difficulties of Local Planning

Stakeholders generally believe that individual tools of agricultural land preservation, such as density restrictions, tax breaks, and use covenants, are insufficient substitutes for planning. They also believe that planning at the local level must be backed up by a community commitment to the preservation of agriculture. Responders noted this as a challenge because some land owners often see planning as an unnecessary or inappropriate interference in their lives. Stakeholders also have concerns about the lack of resources for local government to use and enforce the tools of agricultural land preservation. In addition, some believe there may be insufficient political will at the local level to enforce strict controls, especially during periods of economic decline and/or when there are opportunities for development.

Concerns About State and Regional Agencies

Stakeholders had mixed reactions about the role and effectiveness of state and regional agencies, often identifying conflicting public policies. Concerns include perceptions that programs would interfere with the ability of county and local officials to plan appropriately for transportation and other infrastructure improvements. Some expressed concern about the commitment or ability of the Metropolitan Council to protect agricultural land, raising such issues as conflicting policies regarding a new regional airport and the potential for leapfrog development in adjacent counties. Another common concern of stakeholders from Greater Minnesota regards the future solvency of the program. Others emphasize the importance of state and regional planning agencies in providing support for and direction in identifying and preserving long-term agricultural areas.

Role of State Programs and Policies

Most stakeholders feel that State programs should focus on supporting efforts at the *local* level to plan for the preservation of agriculture, targeting *financial* assistance to those (farmers) in need and supporting educational and other programs that help the State's agricultural economy overcome competitive disadvantages. Although some responders believe that local communities will not support agricultural land preservation if left to their own devices, most don't see new State mandates as being effective unless they have broad support at the local level *and* can be enforced at the local level. Most stakeholders, particularly from Greater Minnesota, were unaware of or unfamiliar with the State Right to Farm Law, State Agricultural Land Preservation Policy, and Green Acres Program, characterizing them as initiatives with good intentions, but ineffective as public policy. Many suggested greater financial support for voluntary local and regional planning efforts.

Suggestions for Use of Tools

Apart from the need for local planning and commitment, stakeholders offered a number of specific suggestions for improvements to tools that could be used to preserve agricultural land. Suggestions included targeting areas for State Program participation with increased benefits rather than providing weak benefits to areas that are at relatively low risk of losing agricultural land. Many believe that a traditional density restriction of 1 per 40 is insufficient by itself, while one stakeholder noted that the character or economic viability of an area can still change at low densities. Some suggested reducing allowable density to either 1 per 80 or 1 per 160. Most responders had some knowledge about programs such as transfer and purchase of development rights (TDR/PDR), but expressed concerns about the cost or complexity of such programs on a broad scale.

Stakeholders Survey Instrument

Prepared by the Project Team for Evaluation of Minnesota Agricultural Land Preservation Programs

Respondent Case No. _____

Interviewer: _____

Date: _____

I. Introduction

As part of its overall evaluation of the Minnesota Agricultural Land Preservation Program, the Project Team is undertaking a survey of key stakeholders in the state. The objectives of the interviews will be to identify potential issues, concerns and suggestions related to implementation and effectiveness of the state's agricultural preservation program. The survey is intended to identify existing mechanisms and policies used by local jurisdictions related to preservation of agricultural land and identify perceptions and opinions regarding the usefulness of the program.

The survey will include a broad cross-section of state and local officials and the private sector. The selection of key stakeholders to be interviewed will include but not be limited to the following individuals and organizations:

- County Planning and Zoning Administrators
- County Assessors
- Natural Resource Conservation Service
- Soil and Water Conservation Districts
- State Department of Agriculture and other affected state agencies
- University of Minnesota's Extension Service
- Metropolitan Council of the Twin Cities
- Non-profit groups associated with agricultural land preservation
- Home builders' associations
- Local jurisdictions
- Members of the State Legislature

A. Metropolitan Agricultural Preservation Program

Note: Interviewer comments to respondent: I will be asking your views on a number of state, regional and local policies and related agricultural programs.

As you know, the Metropolitan Agricultural Preserves Act of 1980 established an agriculture protection program in the Metropolitan Region. Briefly, this program encourages the continuation of agriculture in the Metropolitan Region by incorporating a special price index for taxation of agricultural land meeting the following requirements. The overall provision of the program are as follows:

- The land must be certified as long term agricultural land by the local government in its comprehensive plan.
- The local government must have zoned the land for long term agriculture use, permitting no more than 1 residence per quarter/quarter (1 house per 40 acres).
- The property owner(s) must have signed a restrictive covenant agreement, agreeing to retain the land in agriculture. Enrolled land remains in an agricultural preserve status indefinitely, or until an expiration notice is filed. Actual expiration of the covenant and benefits of the program will not occur until eight years after the notice is filed.
- The parcel must be 40 acres or more in size, or less than 40 acres if certain specific requirements are met (i.e., 20 acres if surrounded on 2 sides by eligible land and meets certain soil type requirements).
- Land enrolled in the Metro Agricultural Preserves Program has some protection from eminent domain proceedings.
- There are also limitations on annexation of land in the agricultural preserves program.
- Local governments are also prohibited from enacting ordinances in agricultural preserves which would unreasonably interfere with normal farming practices unless the restriction is directly related to the public health and safety.
- Land enrolled in the Metro Agricultural Preserves Program does not receive benefits for any public improvement projects including utilities or streets. There can be no special assessments levied against land enrolled under the agricultural preserves program.
- All seven Twin Cities metropolitan area counties and other counties participating in this program are required to charge a \$5 fee on each recording or registration of all mortgages and deeds subject to the mortgage and deed taxes. One-half of the fee must be deposited in a special conservation account in the county general revenue fund and one-half must be

transferred to the Commissioner of Revenue to be credited to the Minnesota Conservation Fund. Money from the county conservation account must be used to reimburse the county and taxing jurisdictions within the county for the agricultural preserves property tax credit. If the cost of the property tax credits exceeds fund available in the county conservation account, the county is reimbursed from the Minnesota Conservation Fund for the amount the tax credits exceed the county account.

- A special tax rate is applied to farmland enrolled in the Metropolitan Agricultural Preserves Program. This rate is equal to 105 percent of the previous year's statewide average tax rate for townships outside of the metropolitan area. If the local tax rate is higher, the difference is paid in the form of a property tax credit by the county or state conservation fund. Program participants are guaranteed minimum property tax credit of \$1.50 per acre each year.

Questions Relating to Both the State and Metro Program

1. In your opinion, how well overall has the Minnesota Metropolitan Agricultural Preserves Program functioned over the past 18 years?

If yes, in what way and to what end?

If no, explain your concerns and problems you see with the program.(s)

Let's talk about some of the specifics of the program(s).

2. Do you believe that the allowance of one house per 40 acres as a requirement for agricultural land in the program has been an effective zoning tool to protect agricultural land?
3. Is the restrictive covenant agreement of retaining the land in agricultural use for a minimum of eight years an effective component of the program?
4. Is the minimum tax credit of \$1.50 per acre per year an effective incentive to encourage landowners to enroll in the program?
5. What is your opinion of the process for landowners who are interested in enrolling in the program?

- What are the strengths and weaknesses of this process?

6. In your opinion, does the program have political support from state and local elected officials?
7. In your opinion, has the program(s) been well administered?
8. How important in your opinion is the agricultural economy in maintaining land in agricultural use?
9. How well do you think the funding system for the agricultural preserves has functioned?
10. What other aspects of the program(s) would you like to comment on? (List some items but these are not intended to be all inclusive.)
 - Legal aspects
 - Unintended impacts of the program
 - Benefits to farmers
11. In your opinion, do you believe this program(s) has been successful
 - Yes, explain.
 - No, explain.
12. Do you believe the Metro Agricultural Preserves Program supports or conflicts with other growth management programs in the Metro region?
13. In your opinion, what has been the impact of the Metropolitan Land Planning Act on agricultural land preservation in the Metropolitan area?

14. In your opinion, what will be the impact of the Regional Blueprint on agricultural land preservation in the Metropolitan area?

B. Statewide Agricultural Land Preservation Program

The Agricultural Land Preservation Policy Act of 1984 provides for a statewide agricultural land preservation program consisting of:

- tools for agricultural land preservation at the local level, including guidelines for agricultural land preservation planning and official controls, voluntary "agricultural preserve" restrictive covenants, and property tax incentives for their creation;
- a program to foster awareness of agricultural land preservation and conservation issues;
- a program of technical and financial assistance to local government.

The central feature of the program is the "agricultural preserve". The 1984 Agricultural Land Preservation Act makes it possible for owners of qualifying land to receive property tax credits of \$1.50 per acre per year, and other benefits as well, in return for agreeing to preserve their farms for long-term agricultural use.

To be able to offer the benefits of agricultural preserves to property owners, a county must adopt (and have approved by the Minnesota Department of Agriculture) an agricultural land preservation plan and official controls. An agricultural land preservation plan is a part of a comprehensive land use plan that designates land for long-term agricultural use, while also providing for expected growth around urbanized areas. The official controls are land use regulations, usually zoning and subdivision provisions, that restrict uses to agriculture, and require low nonfarm residential densities (typically one dwelling unit per 40 acres) in areas designated for long-term agricultural use.

Once an agricultural land preservation plan and official controls are adopted and approved by MDA, persons owning land in a long-term agricultural zoning district of a participating county may voluntarily place "agricultural preserve" restrictive covenants on their property. The agricultural preserve covenant restricts that land's use to only agricultural or forest uses. The covenants are ongoing and run with the land, even if the land is sold. The agricultural preserve may be terminated by either a landowner or the local unit of government by initiating a termination process. This termination process takes eight years to remove the agricultural preserve covenant. The zoning classification must also be changed in order for the property to be converted to some other use that what is permitted in the long-term agricultural zoning district. Owners of land with agricultural preserve covenants receive the following benefits or protections:

- A \$1.50 per acre per year property tax credit,
- Local governments cannot enact ordinances or regulations that restrict or regulate normal agricultural practices.
- Annexation proceedings affecting agricultural preserves are limited and must meet certain additional criteria.
- Eminent domain proceedings are limited and subject to public and administrative review.
- Public sanitary sewer systems, public water systems, and public drainage systems are prohibited in agricultural preserves. Land in a preserve may not be assessed for public projects built in the vicinity of the preserve-covenanted property unless the project is necessary to serve land primarily in agricultural use or if the owner of the land chooses to use and benefit from the project.

Additionally, the statute permits property currently receiving "Green Acres" property tax and special assessment deferrals to convert to an agricultural preserve covenant without having to repay deferred tax differentials. Special assessments outstanding against the property would still have to be repaid if the agricultural preserve covenant were ever terminated.

The owners of land with agricultural preserve covenants are required to manage the land with sound soil conservation practices.

The funding system (of conservation fees on mortgages and deeds, and county (state) conservation funds to reimburse counties for property tax credits) is the same as in the Twin cities Metro area. Please see Pages 2 - 3 under "A. Metropolitan Agricultural Preserves Program".

Questions Relating to the Statewide Agricultural Preserves Program

1. In your opinion, how well overall have the Statewide Agricultural Preserves Programs functioned over the past 14 years?

If yes, in what way and to what end?

If no, explain your concerns and problems you see with the program.

Let's talk about some of the specifics of the program.

2. Do you believe that density limitations, such as one house per 40 acres have been an effective zoning tool to protect agricultural land?
3. Is the restrictive covenant agreement of retaining the land in agricultural use an effective component of the program?
4. Is the property tax credit of \$1.50 per acre per year an effective incentive to encourage landowners to enroll in this program?
5. In your opinion, does the program have political support from state and local elected officials?
6. In your opinion, has the program been well administered?
7. How important in your opinion is the agricultural economy in maintaining land in agricultural use?
8. How well do you think the funding system for the agricultural preserves has functioned?
9. What other aspects of the program would you like to comment on? (List some items but these are not intended to be all inclusive.)
 - Legal aspects
 - Unintended impacts of the program
 - Benefits to farmers

10. In your opinion, do you believe this program has been successful?
- Yes, explain.
 - No, explain.
11. Why in your opinion has the enrollment in the Minnesota Agricultural Preserves Program not been higher on a statewide basis?
12. Is agricultural land preservation viewed as an important priority to farmers outside of the Metro Region?
13. What other improvements do you believe could be made to make this program more effective?
14. Do you have any other thoughts or comments on the program?

C. Green Acres Program

Prior to the passage of the Metropolitan Agricultural Preserves Agricultural Act and Minnesota Agricultural Land Preserves Program Act, the state had initiated the Green Acres Program (1968) which provides that certain property owners, engaged in agricultural pursuits, can apply for deferment of higher valuations and consequent taxes payable, including special assessments, and continue to have the property value based on its valuation for farm purposes. In order to qualify, the property owner(s) must own at least 10 acres which are primarily used for agricultural purposes and which were used for agricultural purposes in the year preceding assessment. This program also defers payments of special local assessments. The land must either be the homestead of the applicant, or have been in the family for at least seven years. Additionally, the owner must be able to verify a minimum gross agricultural income of \$300 plus \$10 per tillable acre.

1. In your opinion, how well has the Green Acres Program functioned over the past 30 years.

If yes, in what way and to what end?

If no, explain your concerns and problems you see with the program.

2. Are the land acreage qualifications for participation in this program an effective tool for preserving agricultural land?
3. Are the land owner incentives for lower assessments in agricultural land an effective incentive for participation in the program?
4. Is the program administered effectively?
5. Is the process for participation in the program effective in encouraging land owners to enroll?
6. Does this program work well in conjunction with the Agricultural Preservation Program?
7. What other aspects of the program would you like to comment on?

- Benefits to farmers
- Conflicts with other programs
- Unintended impacts of the program
- Legal aspects
- Funding
- Other

8. What do you believe have been the successes and failures of this program?

- Please explain

9. What improvements do you believe could be made to make this program more effective?

- Please be specific.

D. Right to Farm Law

As you know, Minnesota has Right to Farm law. The key provision of the law provide nuisance lawsuit protection. In addition, the Metropolitan Agricultural Preserves Program and the Statewide Agricultural Preserves Program provide additional protection against the implementation of local ordinances that would interfere with normal farming operations. A few counties have adopted their right to farm ordinances..

1. In your opinion, has the Right to Farm law in Minnesota functioned well in providing protection to farmers from nuisance lawsuits?
2. Do you believe it works well in conjunction with other agricultural land preservation programs such as the Agricultural Land Preservation Program?

3. Are you aware of any legal challenges to Minnesota's Right to Farm Law?

If yes, could you provide any specific citations?

4. Have the local right to farm ordinances worked well in conjunction with the statewide law?
5. Does this law have good political support from state and local officials?
6. What improvements to you believe could be made to make this law more effective?
7. Any additional thoughts on this program?

E. Planning Enabling Legislation

The counties in the state having less than 300,000 population (1950 census) are authorized to carry on planning and zoning activities. Therefore, I would like to ask you some questions about how this authority works in conjunction with the agricultural preservation programs.

1. In your opinion, does the planning, development and zoning function well for those counties outside the Metro Region? If yes, in what way and to what end?
2. Is the planning, development and zoning authority compatible with the Agricultural Preserves Program?
3. Is this authority also compatible with the Community-Based Planning Act?
4. Does it give the counties sufficient zoning authority to preserve agricultural land?
5. Are there any other aspects of planning, development and zoning authority that you would like to comment on?

F. Community-Based Planning Act

Minnesota's Community-Based Planning Act which was passed in 1997 establishes state-wide goals for local government planning including goals on citizen participation, cooperation, public education, sustainable economic development, public investments, livable community design, housing, transportation, conservation, sustainable development and land use planning. Plans by local government are voluntary and financial assistance is available through competitive grants. Technical assistance is also provided. One of the goals refers to Public Investments and calls for local communities to account for the full environmental, social and economic costs of new development including infrastructure costs such as transportation, sewers and waste water treatment, water, schools, recreation, and open spaces and plan the funding mechanisms necessary to cover the costs of the infrastructure..

1. In your opinion, is the Community-Based Planning Act a helpful tool in the preservation of agricultural land? If yes, in what way? If no, please explain.
2. Do you see any conflicts with the overall goals of the Community-Based Planning Act and the state's Agricultural Preservation Program?

3. Do you see any conflict with any of the other growth management and local planning programs?
4. Do you see the need for any modifications or changes to the Community-Based Planning Act? If so, please explain.
5. Is the funding and technical assistance available under this program useful for agricultural preservation efforts at the local level?
6. Any other thoughts on this Act?

G. State Agricultural Land Preservation and Conservation Policy

The State Agricultural Land Preservation and Conservation Policy, enacted in 1982, sets forth state policy on agricultural land preservation and conservation. The law also requires that, unless a project is already subject to the state environmental review process, any state project or state-funded project or rule that adversely impacts ten acres or more of agricultural land must be reviewed by the Minnesota Department of Agriculture before the project can commence to determine if other alternatives exist which would avoid converting agricultural lands.

1. How effective has been implementation of the State Agricultural Land Preservation and Conservation Policy or consideration of agricultural land preservation impacts through the environmental review process?
2. Do you see any conflicts between this policy and other agricultural land preservation programs?
3. Do you have any suggestions for modification of this policy?

H. Other Agricultural Land Preservation Tools

As you may know, there are a number of other agricultural land preservation tools that are utilized by states and local jurisdictions in other parts of the country.

1. What other agricultural land preservation tools are you aware of that could improve the effectiveness of Minnesota's Agricultural Land Preservation programs?

If yes, please explain how you believe they could be incorporated into the current mix of programs?

2. Do you have any other thoughts on other state or local agricultural preservation programs outside of Minnesota?

I. Summary

I would now like to ask you a series of questions regarding how well the current agricultural preservation programs work together in preserving farm land.

In your opinion,

1. Is agricultural preservation an integral part of the growth management program in the Metro Region?
2. Is the agricultural zoning required under the Agricultural Preserves Program effective in preserving agricultural land or should it be strengthened?
3. Is the current property tax law effective in assessing the proper value of real estate taxes?
4. Are other economic incentives besides the real estate tax needed to make the Agricultural Preserves Program more effective? If yes, please be specific.
5. Do you believe it is necessary to have an economic incentive such as the real estate tax reduction for enrollment in the Agricultural Land Preservation Program in rural counties outside the Metro region?
6. Are economic factors such as commodity and livestock prices equally as important as agricultural land preservation programs in keeping land in agriculture?
7. Are soil and water conservation programs an important element in agricultural land preservation?
8. Do you believe the Agricultural Land Preservation Program can work effectively in those rural counties that have not exercised any local land use planning efforts under the state enabling planning and zoning authority?
9. Are there any other aspects of state and Metro agricultural preservation programs that you would like to comment on?

10. And lastly, what has been the state's role in program such as low interest loans, technical assistance and marketing development to improve the economic well-being of farmers?

Appendix C
Table of Green Acres Effect on Farm Land
Market Value
Taxes Payable 1997

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

1961

**TABLE
GREEN ACRES EFFECT ON FARM LAND MARKET VALUE
TAXES PAYABLE 1997**

COUNTY	NUMBER OF GREEN ACRES	FARM LAND MARKET VALUE		
		BEFORE GREEN ACRES REDUCTION	AFTER GREEN ACRES REDUCTION	GREEN ACRES REDUCTION
AITON	0	65,708,100	65,708,100	0
ANOKA	59,542	189,528,000	93,389,700	78,139,300
BECKER	2,391	172,001,004	170,819,404	1,181,600
BELTRAMI	0	67,851,800	67,851,800	0
BENTON	0	119,779,810	119,779,810	0
BIG STONE	0	161,332,860	161,332,860	0
BLUE EARTH	127	616,543,000	615,730,300	782,700
BROWN	0	483,404,100	483,404,100	0
CARLTON	0	40,825,800	40,825,800	0
CARVER	22,181	250,781,500	250,681,200	30,120,300
CASS	0	55,089,200	55,089,200	0
CHIPPEWA	0	381,568,900	381,568,900	0
CHISAGO	135,343	188,203,300	133,773,500	54,429,800
CLAY	535	429,506,500	429,111,800	394,700
CLEARWATER	0	59,145,300	59,145,300	0
COOK	0	982,000	982,000	0
COTTONWOOD	0	415,712,800	415,712,800	0
CROW WING	0	60,022,400	60,022,400	0
DAKOTA	123,776	369,480,500	273,350,800	116,129,700
DODGE	0	284,837,800	284,837,800	0
DOUGLAS	79	138,271,650	138,065,350	206,300
FARIBAULT	0	601,727,800	601,727,800	0
FILLMORE	0	387,325,720	387,325,720	0
FREEBORN	0	457,259,354	457,259,354	0
GOODHUE	0	420,983,500	420,983,500	0
GRANT	0	236,509,000	236,509,000	0
HENNEPIN	50,296	374,388,700	204,712,800	169,675,900
HOUSTON	0	259,723,000	259,723,000	0
HUBBARD	5,389	48,235,317	47,234,217	1,001,100
ISANTI	161,938	162,672,500	119,731,000	42,941,500
ITASCA	0	25,879,600	25,879,600	0
JACKSON	0	571,016,300	571,016,300	0
KANABEC	0	75,173,850	75,173,850	0
KANDIYOHI	1,894	382,484,785	382,287,085	177,700
KITTSON	0	257,613,150	257,613,150	0
KOOCHICING	0	18,730,900	18,730,900	0
LAC QUI PARLE	0	312,698,500	312,698,500	0
LAKE	0	309,200	309,200	0
LAKE OF WOOD	973	25,191,200	24,072,300	1,118,900
LE SUEUR	0	288,833,100	288,833,100	0
LINCOLN	0	177,498,385	177,498,385	0
LYON	2,552	387,895,450	389,789,850	8,105,800
MCLEOD	0	287,144,400	287,144,400	0
MAHONOMEN	0	81,448,709	81,448,709	0
MARSHALL	0	385,435,325	385,435,325	0
MARTIN	0	579,669,940	579,669,940	0

TABLE
GREEN ACRES EFFECT ON FARM LAND MARKET VALUE
TAXES PAYABLE 1997

COUNTY	NUMBER OF GREEN ACRES	FARM LAND MARKET VALUE		
		BEFORE GREEN ACRES REDUCTION	AFTER GREEN ACRES REDUCTION	GREEN ACRES REDUCTION
MEeker	0	244,882,800	244,882,800	0
MALE LACS	0	79,180,150	79,180,150	0
MORRISON	6,165	190,081,100	186,353,000	3,728,100
MOWER	0	472,174,340	472,174,340	0
MURRAY	0	378,085,980	378,085,980	0
NICOLLET	947	376,351,700	375,077,700	1,274,000
NOBLES	0	489,834,480	489,834,480	0
NORMAN	0	317,972,900	317,972,900	0
OLMSTED	0	339,071,300	339,071,300	0
OTTER TAIL	0	418,846,000	418,846,000	0
PENNINGTON	0	92,768,021	92,768,021	0
PINE	5,673	112,428,020	111,350,520	1,075,500
PIPESTONE	0	208,775,575	208,775,575	0
POLK	0	689,893,675	689,893,675	0
POPE	0	177,873,150	177,873,150	0
RAMSEY	347	21,883,200	15,288,700	6,594,500
RED LAKE	0	64,058,800	64,058,800	0
REDWOOD	0	607,118,225	607,118,225	0
RENVILLE	0	840,578,500	840,578,500	0
RICE	22,005	365,858,443	349,820,143	16,038,300
ROCK	0	317,617,000	317,617,000	0
ROSEAU	0	178,181,475	178,181,475	0
ST LOUIS	0	28,629,289	28,629,289	0
SCOTT	82,808	282,973,000	236,780,200	46,192,800
SHERBURNE	156,931	204,687,700	121,909,500	82,778,200
SIBLEY	0	450,386,122	450,386,122	0
STEARNS	285	415,853,384	415,034,484	818,900
STEELE	278	310,826,542	310,084,142	742,400
STEVENS	0	229,422,400	229,422,400	0
SWIFT	0	300,824,302	300,824,302	0
TODD	0	153,184,850	153,184,850	0
TRAVERSE	0	258,886,200	258,886,200	0
WABASHA	501	210,818,275	209,059,175	1,759,100
WADENA	0	53,440,730	53,440,730	0
WASECA	0	381,475,200	381,475,200	0
WASHINGTON	76,725	615,338,900	231,757,400	383,581,500
WATONWAN	0	324,942,500	324,942,500	0
WILKIN	0	314,987,100	314,987,100	0
WINONA	80	217,023,885	216,795,365	228,520
WRIGHT	334,189	483,283,400	302,607,600	180,675,800
YELLOW MED	0	388,174,829	388,174,829	0
STATEWIDE TOTAL	1,283,151	23,729,908,051	22,733,228,351	996,679,700

Source: Minnesota Department of Revenue, Tax Bulletin No. 26

DRAFT FOR DISCUSSION WITH RURAL ISSUES WORK GROUP

December 3, 2001

Three Farmland Preservation Proposals for the Metropolitan Council

By Tom Daniels, Ph.D.

Introduction

Six of the seven counties in the Metropolitan Council's region have rural lands; Ramsey County is considered totally urbanized. Stretching in an arc from the southeastern metro region to the southwest, Dakota, Scott, and Carver Counties have large amounts of farmland in traditional large commercial farms that produce corn, soybeans, livestock, and other crops. Dakota County has annual farm product sales of \$103 million, Carver has \$62 million, and Scott \$46 million. Carver, Dakota and Scott Counties have agricultural zoning at one dwelling per 40 acres. There has been relatively little nonfarm intrusion into the agricultural areas of these three counties, and population increases from 1990 to 1999 have been modest (under 500 people) in most of the rural townships in these counties.

Table 1. Acres in Farms and Value of Farm Production Among Six Counties in the Twin Cities Metropolitan Region, 1997.

<u>County</u>	<u>Acres in Farms</u>	<u>Value of Farm Production (in millions)</u>
Anoka	57,313	\$23.8
Carver	153,223	\$62.0
Dakota	221,316	\$102.9
Hennepin	69,128	\$43.7
Scott	117,830	\$46.1
Washington	89,935	\$57.3
TOTAL	708,745	\$335.8

Source: US Department of Agriculture, 1997 Census of Agriculture.

While the economics of traditional farming are complicated by federal farm programs and trade policy in addition to swings in product prices and production costs, the land use patterns and zoning in Dakota, Scott, and Carver counties give agriculture hope for the future.

Farming in Anoka, Hennepin, and Washington Counties features smaller, specialty crop and livestock operations that require less farmland than traditional crop and livestock farms. Anoka County has annual farm production of \$24 million, Hennepin has \$44 million, and Washington has \$57 million. Moreover, in these three counties there has been considerable non-farm development amid most of the farming areas. Zoning in these counties allows one dwelling per 10 acres and sometimes higher densities in the countryside. Much of the rural areas in these three counties are in transition to large lot rural residential development with some specialized agricultural operations. Population growth in the rural townships of these three counties was significant from 1990 to 1999, often greater than 500 additional residents in Hennepin County, more than 1,000 new residents in nearly all townships in Anoka County, and from a few hundred to a few thousand new residents in townships in Washington County.

This paper examines three scenarios for preserving rural land in six counties in the Metropolitan Council region. It is clear that relying on the MUSA line, the Metropolitan Ag Preserves program, and county zoning will not retain agricultural land in the long run. The MUSA can and has been extended outward at times. Enrollment in the Metropolitan Ag Preserves program does not require a long term or permanent commitment, and agricultural zoning can be changed by local elected officials.

Preservation generally means permanent or perpetual preservation. However, less than permanent protection may offer an acceptable compromise as long as the protection will occur over a minimum of 30 years.

There are three tools that offer permanent preservation or long term protection: fee simple acquisition, purchase of agricultural preservation easements (better known as purchase of development rights), and transfer of development rights.

Fee simple acquisition of land enables the buyer to take title to the land and determine the use of the land, subject to local zoning regulations. The purchase of privately owned land for public uses makes sense in the case of sensitive and unique natural areas in which special management is needed or public access is desired. Fee simple acquisition is rarely used for farmland preservation.

The purchase of agricultural preservation easements (PAPE) has been widely used by state and local governments and private land trusts to acquire an interest in privately owned land, but on a strictly voluntary basis. Landowners must be willing to sell or donate their development rights in return for cash or tax benefits that compensate them for the land use restrictions they agree to put on their properties.

The PAPE program features a legally binding contract, known as a "deed of easement," which spells out the land use restrictions that the landowner agrees to adhere to. The deed of easement runs with the land so that future landowners are also bound by the land use restrictions.

A deed of easement may apply in perpetuity or for a certain period of time, such as 30 years, specified in the deed. There are four ways that a deed of easement can be removed:

- a) through an eminent domain action by a government agency, but the land must then be put to a public purpose;
- b) by the ruling of a judge if the holder of the deed of easement does not monitor the property under easement to ensure that the landowner is abiding by the terms of the deed of easement;

c) in some states, notably Maryland and Pennsylvania, the two states with the most acreage under deeds of easement, a landowner may apply to buy back the development rights any time after 25 years. However, the landowner must demonstrate that the land is surrounded by development and has no markets for agricultural products. Maryland's PAPE program began in 1978 and Pennsylvania's in 1989 so neither state has yet had to deal with proposals to re-purchase development rights;

d) the limited time period of a less than perpetual deed of easement expires.

The transfer of development rights (TDR) involves the sending of development potential from a protection area, such as farmland, to a growth area where there are adequate public services to accommodate higher density development. A local government creates a market in TDRs by giving so many TDRs per acre to each landowner in a sending area and requiring developers who want to build at higher densities in the growth area to purchase TDRs from the landowners in the sending area. TDRs work best in places where the sending areas have not been dotted with rural residential development and where planning efforts have identified growth areas with appropriate services. Developer demand for TDRs drives the program. A local government may want to establish a TDR bank to buy TDRs from landowners and then re-sell them to developers in order to keep the TDR market liquid, especially during slow economic conditions.

Three Scenarios for Rural Lands Preservation in the Six Counties

The Metropolitan Council's planning staff has clearly spelled out goals and policies for the Permanent Agricultural Areas.

Goals:

- a. Support agricultural land uses
- b. Limit non-farm housing
- c. Keep incompatible uses out
- d. Maintain a clear urban/rural edge

Policies:

- a. Overall densities no greater than one house per 40 acres
- b. Road network supporting farm to market transportation

The Metropolitan Council's white paper of May 2001 reported that "a minimum of 400,000 acres of prime agricultural lands need(s) to be preserved within the region to meet the goals of protection of this valuable resource and to serve as a minimum critical mass necessary for preservation of agricultural communities."

There are currently about 500,000 acres of farmland in the metropolitan region, comprising about 27% of the region. Clearly, some agricultural land will continue to be converted to non-farm uses. The challenge is to identify the agricultural lands that have the best chance of remaining in production over the long term and to devise programs that both protect the farmland base and enable farmers to continue to farm.

Counties with Permanent Agricultural Areas Should Employ a Package of Farmland Protection Techniques

No single farmland protection technique can guarantee the future viability of a region's farm operations. Yet, counties can enhance the viability of farm operations and the stability of the rural land base through an integrated package of farmland protection techniques (see "Survey and Analysis of Existing Protection Programs").

The nation's leading farmland protection programs feature a combination of voluntary, regulatory,

and financial compensation methods:

Voluntary:

- 1) Use-value assessment of farmland for property tax purposes;
- 2) Agricultural economic development.

Regulatory:

- 1) Agricultural zoning at a density of no more than one house per 25 acres;
- 2) Growth boundaries or urban service areas.

Financial Incentives:

- 1) Purchase of Development Rights (PDR) (also called Purchase of Agricultural Preservation Easements (PAPE));
- 2) Transfer of Development Rights.

All six counties with farmland within the jurisdiction of the Metropolitan Council have one voluntary and at least one regulatory program to protect farmland. Owners of farmland are eligible to participate in the Metropolitan Ag Preserves Program and extensions of central sewer and water are limited by the Metropolitan Urban Service Area (MUSA) line.

Carver, Dakota, and Scott counties also have a second regulatory protection for farmland: agricultural zoning. The rural zoning in Anoka, Hennepin, and Washington is best defined as large lot rural residential.

The investment of public funds to purchase agricultural preservation easements is more likely to succeed in counties with agricultural zoning for two main reasons:

- 1) Agricultural zoning holds down the cost per acre PAPE programs because the permitted development potential is more restricted than under rural residential zoning. The lower cost per acre of the PAPE programs means that a county with agricultural zoning will be able to preserve more farmland for the same amount of money as a county with just rural residential zoning;
- 2) Agricultural zoning keeps preserved farms from becoming surrounded by non-farm development. In counties without agricultural zoning, a preserved farm can act as a magnet for non-farm residences because of the "preserved view" that the farm provides. A large number of neighboring non-farm residences can lead to nuisance complaints and other conflicts, and ultimately drive the preserved farm out of business. Farmers are often wary of participating in PAPE programs if they believe their farms could become preserve "islands" in a sea of non-farm residences.

A PAPE program also acts as an agricultural economic development program. Studies have shown that most farmers use the proceeds from PAPE programs to reinvest in their farms.

In sum, a county that combines agricultural zoning with a PAPE program is more likely to sustain Permanent Agricultural Areas than a county with rural residential zoning and a PAPE program.

The Permanent Agricultural Areas should receive first priority for funding for land preservation.
Diversified Rural Areas should receive a secondary priority for land preservation.

Each of the following scenarios depends upon funding from the Metropolitan Council with matching funds from county governments. The counties, with consultation and approval from the Metropolitan Council, would acquire agricultural preservation easements.

Transferable development rights programs may be useful at the township level or across two townships. Funding from the Metropolitan Council would not be needed to establish local TDR programs. On the other hand, a metro region TDR program would require extensive planning and implementation costs, with no guarantee of success because of the variety of zoning in the rural parts of the six counties.

Funding for a PAPE program from the Metropolitan Council appears necessary because the individual counties will find it challenging to provide the significant amounts of money to preserve agricultural lands. The Metropolitan Council should require local county matching funds to be authorized and available before the Metropolitan Council actually releases funds for specific PAPE projects.

Scenario One: Dakota County PAPE Pilot Program

Scenario One is a pilot purchase of agricultural preservation easements (PAPE) program to preserve farmland in Dakota County, the region's leading agricultural county. Dakota County has a critical mass of farmland--more than 220,000 acres in 1997--and its farming area adjoins the major farming counties of Rice and Goodhue to the south. Rice County had over 250,000 acres of farmland in 1997 and annual farm production valued at more than \$127 million. Goodhue County had more than 384,000 acres of farmland in 1997 and agricultural production valued at \$160 million.

If the pilot PAPE program is successful in Dakota County, the Metropolitan Council should consider expanding the program to include at least Carver and Scott Counties, if not Anoka, Washington, and Hennepin as well. In addition, a successful pilot PAPE program in Dakota County could spur interest in creating county-level PAPE programs in the other five counties in the metropolitan region as well as in Rice and Goodhue Counties. Ultimately, a successful pilot program might lead to a state-funded PAPE program.

Structure and Funding of Dakota County PAPE Pilot Program

The Dakota County pilot PAPE program would be managed at the county level through the county planning department. The Dakota County Commissioners would appoint a Farmland Preservation Board consisting of nine members: four farmers, one township supervisor, one county commissioner, a representative from the building industry, and two at-large members, ideally from the conservation district, University of Minnesota Cooperative Extension, or an agricultural lending institution.

The Dakota County planning department would serve as staff to the Farmland Preservation Board. The Board would be empowered to adopt by-laws and program guidelines for operating the PAPE program, subject to approval by the County Commissioners.

The program guidelines would cover such issues as:

- Eligible farms for purchase of agricultural preservation easements

- Criteria for ranking applications from eligible farms
- Appraising development rights
- Policies on negotiating prices that will be paid for agricultural preservation easements
- Payment options for landowners
- The contents of the deed of easement, used to execute the purchase of agricultural preservation easements
- Monitoring of preserved farmland

The Farmland Preservation Board and staff would draft PAPE application forms, hold informational meetings around the county, and evaluate and rank the applications. The Board and staff would contract with appraisers for the appraisal of the value of development rights and would make offers to purchase the development rights from landowners. The Board would recommend approval of each purchase of agricultural preservation easements project, and the County Commissioners would make the binding decision to commit county funds for each purchase.

The Dakota County PAPE pilot program would be funded from two sources: \$5 million from the county and \$5 million from the Metropolitan Council. The total of \$10 million would create a serious program that would draw the interest of farmers. The funds for both the Dakota County share and the Metropolitan Council's share could come from the sale of general obligation bonds. The purchase of agricultural preservation easements is a long-term capital program for which bonds are typically used as the financing tool. Also, interest rates are currently at 30 to 40 year lows, making bonding an attractive funding mechanism.

The Metropolitan Council would disperse funds to Dakota County on a project by project basis. The Council would have the authority to review and approve the Dakota County's PAPE program guidelines as well as each PAPE project. Each project should be funded on a 50-50 basis between the County and the Council.

The Dakota County PAPE pilot program would be expected to run for 5 or 6 years. At the end of the pilot program, the County could continue to operate its own program, the Metropolitan Council could decide to continue helping to fund the County's PAPE efforts, or the PAPE program could be allowed to cease operation, except for the County's obligation to monitor the preserved farmland for compliance.

Scenario Two: Carver, Scott, and Dakota PAPE Programs

Permanent Agricultural Areas are not limited to Dakota County. Carver County had more than 150,000 acres of farmland in 1997. Moreover, because of the rural road network, Carver County is not easily accessible from the suburban or urban areas of the Twin Cities. Most of the townships in Carver County added fewer than 500 residents from 1990 to 1999, and there is strong local commitment to the preservation of agriculture.

Scott County had 117,000 acres of farmland in 1997, the third most among counties in the metro region. Population growth in the townships of western Scott County was less than 500 residents between 1990 and 1999. The preservation of farmland, especially in the western part of Scott County, would help to maintain a critical mass of farmland in Scott and Carver Counties. Preserving farmland in Scott County would also help to protect farmland to the south in neighboring LeSueur County which had 214,000 acres of farmland and annual farm production of \$84 million in 1997.

The preservation of farmland in Dakota, Scott, and Carver Counties would provide the metro region with a critical mass of farmland. The Metropolitan Council's white paper called for the long term

preservation of 400,000 acres of farmland. In 1997, there were nearly 500,000 acres of farmland in Dakota, Scott, and Carver Counties combined, accounting for almost 70 percent of the metro region's farmland. These three counties also produced \$211 million in farm products in 1997, almost 63 percent of the region's farm output.

It is conceivable that preserved farmland in Carver and Scott Counties could be contiguous in places, in effect creating a regional greenbelt. Also, preserving farmland in these Dakota, Scott, and Carver Counties could spur farmland preservation efforts in Goodhue, Rice, and LeSueur Counties which have fairly strong agricultural industries. Preserving farmland in these six counties would ensure a long term critical mass of farmland as a base for the agricultural industry in southeastern Minnesota.

Structure and Funding of the Carver, Scott, and Dakota PAPE Programs

The Carver, Scott, and Dakota County PAPE programs would be managed in the same manner as suggested for Dakota County under Scenario One with each county establishing a program.

The Carver, Scott, and Dakota County PAPE programs would be funded from two sources: up to \$15 million from the Metropolitan Council and matching funds from each county. A county could receive no more than \$6 million in PAPE funds from the Council and no less than \$3 million (see Table 2). A county would have to match the Metropolitan Council dollar for dollar. This way, a total of between \$18 million and \$30 million could be raised for farmland preservation.

Table 2. PAPE Funding by the Metropolitan Council and Carver, Scott, and Dakota Counties.

<u>County Funding</u> (in millions)				
<u>County</u>	Level I	Level II	<u>Level III</u>	<u>Level IV</u>
Carver	\$3	\$4	\$5	\$6
Scott	\$3	\$3	\$5	\$3
Dakota	\$3	\$4	\$5	\$6

Total County PAPE Funds	\$9	\$11	\$15	\$15
Metropolitan Council Matching Funds	\$9	\$11	\$15	\$15
TOTAL FUNDS	\$18	\$22	\$30	\$30

Note: A county would have to authorize at least \$3 million in PAPE funds in order to receive a match from the Metropolitan Council. But a county that authorized \$8 million in PAPE funds would only be matched \$6 million by the Council.

The total of \$18 million to \$30 million in the six county PAPE program would create a serious program that would draw the interest of farmers. The funds for both the county shares and the Metropolitan Council's share would come from the sale of general obligation bonds. The purchase of agricultural preservation easements is a long-term capital program for which bonds are typically used as the financing tool. Also, interest rates are currently at 30 to 40 year lows, making bonding an attractive funding mechanism.

The Metropolitan Council would disperse funds to each county on a project by project basis. The Council would have the authority to review and approve each county's PAPE program guidelines as well as each PAPE project. Each project should be funded on a 50-50 basis between the county and the Council.

The Carver, Scott, and Dakota County PAPE program would be expected to run for 5 or 6 years. At the end of this time, the counties could continue to operate their own PAPE programs; the Metropolitan Council could decide to continue helping to fund the counties' PAPE efforts; or the PAPE program could be allowed to cease operation, except for each county's obligation to monitor the preserved farmland for compliance.

Scenario Three: A Six Metro County PAPE Program

There is prime farmland in each of the six metro counties with rural land. Permanent Agricultural Areas could be created in each of the six counties. But in Anoka County in particular, and to a lesser degree in Hennepin and Washington Counties, it is more likely that Diversified Rural Areas can be created. These areas will feature a mix of farm operations interspersed with unsewered rural residential development. Because of the emphasis on farmland preservation, a six county PAPE program should emphasize farmland preservation in Dakota, Scott, and Carver Counties which collectively have most of the farmland and farm output of the six counties. The advantage of a six county PAPE program is that it can compel each county to preserve farmland.

Structure and Funding of the Six County PAPE Program

The six county PAPE program would be managed by each county through its county planning department in a manner similar to Scenario One and Two.

The six county PAPE programs would be funded from two sources: up to \$30 million from the Metropolitan Council and matching funds from each county. Up to \$20 million of the Metropolitan Council's funds would be earmarked for Dakota, Scott, and Carver Counties. No one county could receive more than \$8 million and no less than \$4 in Metropolitan Council funding (Table 3). A county would have to authorize at least \$4 million in PAPE funds to receive funding from the Metropolitan Council.

Table 3. PAPE Funding by the Metropolitan Council and Carver, Scott, and Dakota Counties in a Six County PAPE Program.

<u>County Funding</u> (in millions)				
<u>County</u>	Level I	Level II	<u>Level III</u>	<u>Level IV</u>
Carver	\$4	\$5	\$8	\$8
Scott	\$4	\$4	\$4	\$4

Dakota	\$4	\$5	\$6	\$8
<hr/>				
Total County PAPE Funds	\$12	\$14	\$18	\$20
Metropolitan Council Matching Funds	\$12	\$14	\$18	\$20
TOTAL FUNDS	\$24	\$28	\$36	\$40

Note: A county would have to authorize at least \$4 million in PAPE funds in order to receive a match from the Metropolitan Council. A county that authorized \$10 million would only be matched \$8 million by the Council.

Up to \$10 million of the Metropolitan Council's funds would be earmarked for Anoka, Hennepin, and Washington Counties. No one county could receive more than \$4 million and no less than \$2 in Metropolitan Council funding (Table 4). A county would have to authorize at least \$2 million in PAPE funds to receive funding from the Metropolitan Council. A county would have to match the Metropolitan Council dollar for dollar. This way, a total of between \$12 million and \$20 million could be raised for farmland preservation.

Table 4. PAPE Funding by the Metropolitan Council and Anoka, Hennepin, and Washington Counties in a Six County PAPE Program.

<u>County Funding (in millions)</u>				
<u>County</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Level IV</u>
Anoka	\$2	\$2	\$3	\$2
Hennepin	\$2	\$3	\$3	\$4
Washington	\$2	\$3	\$4	\$4
<hr/>				
Total County PAPE Funds	\$6	\$8	\$10	\$10
Metropolitan Council Matching Funds	\$6	\$8	\$10	\$10
TOTAL FUNDS	\$12	\$16	\$20	\$20

Note: A county would have to authorize at least \$2 million in PAPE funds in order to receive a match from the Metropolitan Council. A county that authorized \$6 million would only be matched \$4 million by the Council.

The six county PAPE program would raise between \$36 million and \$60 million to create a serious program that would draw the interest of farmers.

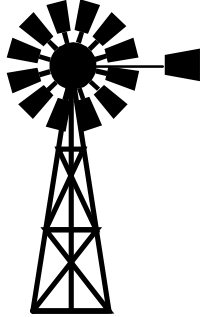
The six county PAPE program would be expected to run for 6 to 8 years. At the end of this time, the counties could continue to operate their own PAPE programs; the Metropolitan Council could decide to continue helping to fund the counties' PAPE efforts; or the PAPE program could be allowed to cease operation, except for each county's obligation to monitor the preserved farmland for compliance.

Conclusion

The six counties with rural land in the metropolitan region of the Twin Cities have emphasized local planning and zoning for farmland preservation, with varied success. The Metropolitan Council has relied upon the MUSA line to limit the extension of public sewer and water service into the countryside. The Metropolitan Ag Preserves program has provided property tax reductions on farmland.

The leading farmland preservation programs in the nation use three main techniques: growth boundaries (such as the MUSA line), agricultural zoning, and the purchase or transfer of development rights. Politicians have been surprised by the general support among taxpayers for farmland preservation. For example, county governments in Pennsylvania have spent more than \$100 million on farmland preservation since 1989, in addition to \$300 million in state funding. County governments in Maryland have spent more than \$70 million to operate their own programs as well as match state funds.

The Twin Cities metropolitan region has a respectable agricultural industry and roughly half a million acres of farmland. If the Metropolitan Council's goal of preserving 400,000 acres is to be achieved, a PAPE program should be initiated as soon as possible. In each of the three scenarios described above, PAPE funding from the Metropolitan Council would be matched dollar for dollar by county government. The Metropolitan Council would be providing counties with a strong incentive to develop PAPE programs, while requiring a county "buy-in."



DRAFT

Policy and Implementation Proposal for the Rural Area

Rural Issues Work Group

March 2002



Mission

The mission of the Metropolitan Council is to improve regional competitiveness in the global economy so that this is one of the best places to live, work, raise a family and grow a business.

Metropolitan Council Members

Ted Mondale - Chair

* Sandra Spigner – District 1

* Todd Paulson – District 2

Mary Hill Smith – District 3

* Julius C. Smith – District 4

Phil Riveness – District 5

Frank Hornstein – District 6

George Garnett – District 7

Carol A. Kummer – District 8

* Natalie Haas Steffen - District 9

* Jim Nelson – District 10

* Roger Williams – District 11

** Marc Hugunin – District 12

Daniel Galles – District 13

Lee Pao Xiong – District 14

Vacant – District 15

* John Conzemius – District 16

* Member, Rural Issues Work Group

** Chair, Rural Issues Work Group

General phone 651 602-1000

Regional Data Center 651-602-1140

TTY 651 291-0904

Metro Info Line 651 602-1888

E-mail data_center@metc.state.mn.us

Web site www.metrocouncil.org

Publication no. 78-02-016

Printed on recycled paper with at least 20% post-consumer waste

On request, this publication will be made available in alternative formats to people with disabilities. Call the Metropolitan Council Data Center at 651 602-1140 or TTY 651 291-0904.

Table of Contents

I. Introduction	1
II. Regional Objectives and Policies for the Rural Area.....	4
Conceptual Map of the Proposed Rural Area Policy Areas.....	5
Regional Objectives for Rural Settlements	6
Hierarchy and Characteristics of Rural Settlements	6
Policies for Rural Settlements	8
Regional Objectives for the Permanent Agricultural Area	11
Policies for the Permanent Agricultural Area	12
Regional Objectives for the Diversified Rural Area	14
Policies for the Diversified Rural Area	14
Regional Objectives for Rural Residential Areas	17
Policies for Rural Residential Areas	17
Regional Objectives for Natural Resources in the Rural Area	18
Policies for Natural Resources in the Rural Area	18
III. Implementation Strategies for the Rural Area	19
Implementation Strategies for Rural Settlements	19
Implementation Strategies for the Permanent Agricultural Area.....	20
Implementation Strategies for the Diversified Rural Area	22
Implementation Strategies for Rural Residential Areas.....	24
Implementation Strategies for Natural Resources within the Rural Area.....	25
Appendix A	27
Rural Settlements Summary Table	
Appendix B.....	30
Approach for Amending the Metropolitan Agricultural Preserves Program Minnesota Statutes Chapter 473H	
Appendix C	34
Approach for Implementing a Purchase of Agricultural Preservation Easement (PAPE) Program	

I. INTRODUCTION

The Metropolitan Council is a regional planning and coordinating agency for the seven-county metropolitan area. The Council advocates Smart Growth for vital communities and a competitive region. That advocacy includes long-standing policies supporting the conservation and protection of agricultural and rural lands within the metropolitan area.

A. Current *Blueprint* Policies

Lands in the Metropolitan Area outside areas served by or planned for urban infrastructure are divided in the current *Blueprint* into three policy categories: **rural growth centers** (the small towns located within the permanent rural and permanent agricultural areas); **permanent agricultural area**; and **permanent rural area**. Current policies and Council activities are summarized below.

1. Rural Growth Centers

While the Council recently identified nearly 80 settlements scattered throughout the rural area, current policy focuses on 17 rural communities designated as “rural growth centers.” Defined as small cities with centralized sewer services, the rural growth centers are described as appropriate locations for growth provided they can “locally finance and administer services, including schools, sewer, roads, water and stormwater drainage.” Local governments of rural growth centers are expected to plan for a balance of housing and jobs and for 2020 urban staging areas. Current policy language states “the Council does not support the extension of regional systems to rural [growth] centers because of the distance from the urban center and the small populations of rural [growth] centers.” As the region’s population continues to increase and the urban area continues to expand into the rural parts of the region, the policy guidance for rural growth centers has been called into question. If rural growth centers were able to accommodate additional growth, they might be able to attract households that would otherwise scatter throughout the rural area. If regional assistance is needed for these centers to grow it may be appropriate to consider changing current policy to offer support to rural growth centers as a way to accomplish regional objectives. The Council has also indicated an interest in developing policies for other types of rural settlements that current policies do not acknowledge.

2. Permanent Agricultural Area

Land currently designated as permanent agriculture comprises about 26% of the land area within the region - over 500,000 acres. These lands are locally designated for long-term agriculture; zoned at a minimum of 1 house per 40 acres and certified as eligible for participation in the Metropolitan Agricultural Preserves Program. The Metropolitan Agricultural Preserves Program is currently a primary tool to preserve agricultural land. It encourages the use of the metropolitan area’s agricultural lands for food production and recognizes farming as a long-term land use for lands enrolled in the program. The program’s objectives include providing farmers the assurance that they can make long-term agricultural investments, allowing continued farming without urban pressures and providing an orderly means to maintain viable productive farm operations in the metropolitan area. Other Council efforts have also focused on the preservation of agriculture. For example, the Council convened a task force to develop a simple-to-use Permanent Agricultural Land Identification Process that could be used by local governments during their comprehensive planning process.

Despite these efforts, the expanding urban area and recent strong regional economy are increasing pressure to develop the region’s prime agricultural and rural lands, particularly those at the urban edge. The 1997 Census of Agriculture indicated that metro area lands used for farming declined by about 52,000 acres between 1992 and 1997. The market for large-lot single-family houses in the rural area continues to be strong. There is a growing sense that the tools historically used by the state and region to protect agricultural and rural lands will not be sufficient to withstand development pressures. In response, the Council, local

governments, state agencies and others have worked to develop ways to maintain the rural areas that are such a significant part of the region.

Two of the seven metropolitan area counties, Dakota and Washington, have initiated land preservation efforts. In February 2000, Washington County adopted an ordinance to establish a Purchase of Development Rights Program aimed at preserving open space in the county including farmland. The county has purchased several easements. Dakota County initiated a two-year Farmland and Natural Areas Project in 1998 to: identify and prioritize important natural areas and farmlands; sample citizen support for ways to fund protection efforts; acquire donated conservation easements on 300 to 500 acres of priority lands; and recommend to local governments additional tools and programs they can adopt to protect identified resource lands within the county. Purchase of agricultural preservation easements is one of the tools the county is considering. Dakota County adopted the Project report and is moving into implementation. To support such local efforts, proposals to strengthen agricultural land preservation programs and fund pilot purchase of agricultural preservation easements have been initiated at the legislature in recent sessions but have not succeeded.

3. Permanent Rural Area

The permanent rural area has a wide variety of land uses including farms, low-density residential development and facilities that mainly serve urban residents, such as regional parks. Approximately 23% of the total metropolitan area - just over 439,000 acres - is designated as permanent rural. Current Council policies for this area call for overall gross densities of one dwelling unit per 10 acres and encourage clustered development as an alternative to scattered, large-lot subdivisions. Urban-level services, such as regional wastewater treatment or transportation infrastructure are not provided to or planned for the permanent rural area.

B. Rural Issues Work Group Established to Recommend Updated Policies

In addition to the legislative efforts and local agricultural land preservation efforts underway in the region, the Council established a Rural Issues Work Group comprised of eight Council members. This group undertook a review of Council policies regarding the region's rural and agricultural lands. The current *Blueprint* states a "common misconception is that agriculture and other rural land uses are only temporary, waiting for the land to be developed. Most of the rural area will not be needed for urban development in the foreseeable future. Agriculture and rural land uses are legitimate and permanent land uses in these areas." Work Group members observed that Council policies have not always been effective in protecting rural and agricultural lands from development. The Work Group is committed to strengthening policies to support rural and agricultural uses as permanent land uses, and ensuring that Smart Growth principles are applied throughout the region's rural areas.

The Rural Issues Work Group completed its review of current policies and actions to maintain rural areas within the seven counties and has considered options to increase their effectiveness. The Group's work included gathering input from local officials and citizens during a series of public meetings held throughout the region's rural areas in August and September 2001. The work group also heard several staff presentations and spoke with local and national experts on various aspects of rural policy. This careful study resulted in the following regional objectives, policies, and implementation programs that have been forwarded to the Metropolitan Council with the recommendation that they be incorporated into the new regional *Blueprint 2030*.

C. Smart Growth for the Region's Rural Area

Blueprint 2030 will recommend a pattern of growth for the metropolitan area. Smart Growth concepts promote a pattern of growth supporting redevelopment and cost-efficient new development that maximizes the use of existing and new infrastructure investments. For the region's rural area, this means guiding growth to rural settlements where infrastructure exists and away from productive agricultural areas. The policies recommended in this document reflect the following overall objectives:

1. **Support additional growth in Rural Settlements** (concentrations of one or more residential neighborhoods surrounding a compact core area that provides some commercial services and/or civic facilities) where such growth is planned for and supported by appropriate services; particularly in rural growth centers along regional transportation corridors.
2. **Limit non-farm housing development in areas designated as Permanent Agriculture.** Limiting non-farm housing will ensure that farming remains the predominant land use and reduce conflicts between agriculture and other land uses.
3. **Preserve the choice for "rural" housing in the Diversified Rural Area** (which is the remaining rural area outside of Rural Settlements and the Permanent Agricultural area). The pattern of development in the Diversified Rural area should protect environmental resources and a sense of "rural character" (features such as scenic landscapes, open views, dispersed houses, woodlots, and wetlands - as defined by local units of government and their citizens).
4. **Encourage development patterns that eliminate or minimize negative impacts on significant natural resources.** Significant natural resources are located throughout the metropolitan region. Development should occur in a manner that does not impinge on these natural resources.

Local Government Choice: The Council's Smart Growth initiatives set a course for the region, as defined by the statements above, and encourage local governments to be creative in how they follow the course. Local governments will have a choice in how to implement regional policies. The Council will provide assistance and incentives to local governments who choose to work with the Council to implement regional objectives.

Benefits of Smart Growth: Tangible public and private benefits arise from making Smart Growth choices in rural area development. The benefits for farmers include being able to continue farming without pressure to sell productive land for development, and minimizing nuisance conflicts from non-farm development. Benefits for those who choose to live in rural settlements include small-town lifestyle with access to a metropolitan area. Benefits for those who choose to live in the diversified rural area are proximity to nature, privacy, open views and, often, lower property taxes. Public benefits from Smart Growth, include:

1. **Lower taxes and less strain on local budgets:** Studies support the link between housing density and local property taxes. Generally, agricultural densities and higher-density housing (small-town or urban) generate more revenue than they demand in public services while semi-rural or large-lot suburban housing create a shortfall.
2. **Decreased demand on county and state highways:** Guiding growth to rural settlements offers access to nearby jobs and services that may reduce the number of miles traveled. The further people live from jobs and other destinations, the more miles they have to drive on arterial roads. The cost of congestion is paid for by the entire region.

3. **Protection of productive farmland:** Limiting non-farm related development on productive agricultural lands supports the continued presence of agriculture in the metropolitan area. Scattered non-farm rural development boosts land prices and increases the rate of conversion of farms out of agriculture and into housing. Non-farm development in agricultural areas also increases the clash between production agricultural practices that produce noise, smells, dust, and slow-moving vehicles and non-farm residents who wish for a “rural” lifestyle.
4. **Protection of natural resources:** Smart Growth development patterns consider the impact of development on natural resources; lakes, streams, rivers, wetlands, groundwater, air, habitat, etc. Protection of natural resources will help preserve scenic and rural landscapes and natural values that attract people to rural areas.

II. Regional Objectives and Policies for the Rural Area

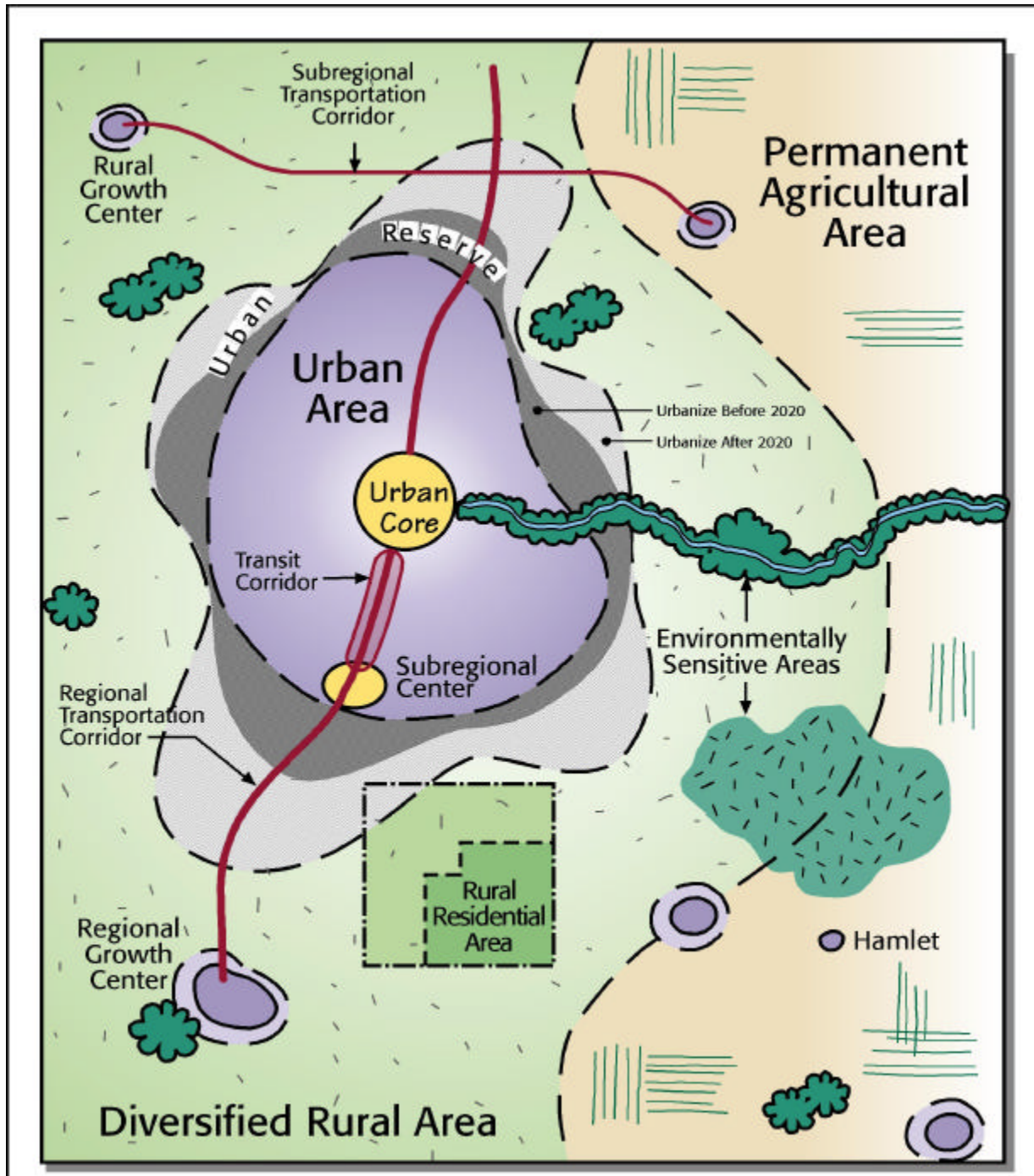
The following sections outline the regional objectives and policies for the rural area of the Twin Cities Metropolitan Region recommended by the Rural Issues Work Group. For policy development, the rural area was conceptually divided into four policy areas listed here and illustrated on the conceptual map on the following page:

- **Rural Settlements**
- **Permanent Agricultural Area**
- **Diversified Rural Area**
- **Rural Residential Area**

The Rural Issues Work Group also considered policies to preserve and protect **natural resources** in the rural area.

Regional objectives are set forth for each policy area defining the regional interest in the policy area. Policies are recommended to reach the objectives for each of the geographic policy areas. Implementation strategies are presented in section III.

Conceptual Map of the Proposed Rural Area Policy Areas



A. Regional Objectives for Rural Settlements

Rural settlements - population concentrations located throughout the region's rural area – are defined in this document as a hierarchy of places, based on their size, settlement patterns and infrastructure, rather than using the previous *Blueprint* criteria, which focused on the provision of central sewer service. The hierarchy consists of:

- **Hamlets**
- **Rural Centers**
- **Rural Growth Centers**
- **Regional Growth Centers**
- **Other places with concentrations of housing**

The following objectives are established for rural settlements as a general category, with the understanding that each rural settlement type will play a different role in proportion to its size and capacities for growth:

1. **Focus rural area growth.** Rural settlements should be the focus for the greatest share of the forecasted growth that will be anticipated in the rural area, in order to relieve growth pressure on permanent agricultural areas and sensitive natural resources, and to offer an alternative to scattered rural development.
2. **Emphasize growth in Rural Settlements along regional transportation corridors.** Growth in rural settlements along regional transportation corridors should be encouraged to maximize investment in current infrastructure and minimize the need for new infrastructure serving scattered low-density development.
3. **Provide diverse and affordable housing:** Rural settlements should provide some diversity of housing, in order to accommodate varying life-cycle needs. They should provide affordable housing in proportion to their size, with consideration given to retaining existing affordable housing stock.
4. **Provide commercial services and/or civic facilities.** Rural settlements should provide a level of goods, services and civic facilities in proportion to their size and as appropriate for their location, in order to serve their residents and/or the surrounding area.
5. **Maintain the ability to change and grow while meeting regional objectives.** Rural settlements may plan to grow and evolve or remain at their current size. The Metropolitan Council should offer planning assistance and/or incentives for rural settlements to grow in a manner that preserves their small town character and meets the other goals and principles of *Blueprint 2030*.

B. Hierarchy and Characteristics of Rural Settlements

The Rural Issues Work Group found that a variety of rural settlement types exist within the Metropolitan area. The Work Group created a hierarchy of rural settlement types in order to develop policies for each type. (See Rural Settlements summary table in Appendix A, page 42) Wastewater treatment, while remaining an important planning consideration, is no longer the only defining factor in classifying rural settlements as was done in the current *Blueprint*.

The following general definition of rural settlements is proposed:

Rural Settlements are settlement concentrations consisting of one or more residential neighborhoods surrounding a compact core area that provides some commercial services and/or civic facilities.

When applied in the rural area this general definition includes a wide variety of places which can be classified according to their most common characteristic: **hamlet, rural center, rural growth center and regional growth center**. Note that these characteristics are **descriptive, not prescriptive** - they are based on existing conditions, not desired ones. Desired characteristics are discussed below under Policies. Also, many rural settlements are evolving and growing, and may therefore not fit precisely into one category or another.

Hamlet: *A settlement, often at a crossroads, primarily residential in character, but with a small compact core offering limited convenience goods and/or community activities, such as a school, church, tavern or restaurant, general store or similar land uses.* (For example: New Trier, Hamburg,...)

The following characteristics are typical of a hamlet, although not always present:

1. Often part of a larger jurisdiction (city or township); may also be an incorporated city (e. g., Miesville, Bethel)
2. Generally have no public water or wastewater treatment
3. Average housing densities of 2 or more units per acre
4. Surrounded by agricultural, rural or natural resource lands
5. A population generally under 500, or around 200 housing units (number of houses are used as a surrogate for population numbers in unincorporated places)

Rural Center and Rural Growth Center: *A compact settlement that includes one or more residential neighborhoods surrounding a center that provides basic consumer services and community activities to residents or nearby residents. These two classifications share the same defining characteristics. The only distinction is the community's interest in growth, as expressed in its plans and policies. As discussed under Rural Settlement Policies below, rural growth centers could receive additional regional resources to support their interest in growth* (For example: Carver, St. Francis and Belle Plaine are rural centers. They could consider becoming rural growth centers.)

The following characteristics are typical of a rural center or rural growth center, although not always present:

1. Generally an incorporated city or the "center" of a township-sized city
2. Centralized wastewater treatment
3. Average housing densities of 2 – 7 units/acre
4. Civic facilities such as schools, parks and religious institutions are present
5. Basic neighborhood-level retail and service uses are present, although it is not a regional shopping or employment center
6. Access to a county or state arterial highway
7. A population generally ranging from 500 to 2,500 (although some are larger)
8. Many are surrounded by a defined growth or expansion area.

Regional Growth Center: *A larger rural settlement that has evolved into a full-service city yet is separated from the Urban Area. It has its own “core” and “suburbs,” and serves a larger surrounding land area. (For example: Stillwater, Hastings,...)*

Regional growth centers share many of the characteristics of rural growth centers, with a few differences:

1. Access to a state or interstate highway, and often a dedicated transit connection to the Urban Area, such as an express bus
2. Includes regional-level retail and other regional facilities such as hospitals
3. Includes a greater share of employment (this is especially true in county seats)
4. Offers some diversity of housing types
5. A population of 5,000 or more (over 2,000 housing units) although it could be less

Other places with concentrations of housing, such as lakeshore settlements and manufactured home communities are scattered through the Rural Area. Characteristics and policies for these places are discussed in the Diversified Rural Area section of this report.

C. Policies for Rural Settlements

The proposed policies assume that the Metropolitan Council will work cooperatively with local municipalities to define their roles as rural settlements. The Metropolitan Council may offer incentives for local governments to grow in the manner suggested. Local governments will choose whether or not to take advantage of the incentives offered.

1. Policy that applies to all Rural Settlements

- a. **Rural Settlements may evolve in type.** As outlined in the policies below, each type of rural settlement has a choice of remaining in its current size or configuration, or accepting greater or lesser amounts of regional growth. The smaller types may develop or evolve into the larger types, with hamlets becoming rural growth centers, and rural growth centers becoming regional growth centers. Expectations for each evolving type are listed below under the original type of rural settlement.

2. Policies for Hamlets

- a. **Support a limited amount of infill development,** but not larger-scale expansion. Limited infill housing or commercial development that is consistent with the prevailing character of the community. Infill development should not exceed the capacity of the community wastewater treatment system, where one is present. If additional growth is desired, the wastewater treatment system may need to be improved accordingly, as the hamlet grows into a rural center (see below). Basic contextual design guidelines may be desirable for infill development.
- b. **Provide safe and sustainable wastewater treatment.** This may be accomplished through such practices as properly installed and monitored on-site septic systems or small community wastewater treatment systems.

- c. **It is desirable, but not required, that hamlets provide basic “convenience level” retail/commercial services** for residents.
- d. **A hamlet may develop into a rural center/rural growth center**, under certain conditions. Hamlets with fairly direct access to regional transportation corridors are most appropriate for this level of expansion. Other criteria for this level of expansion would include meeting the goals for rural centers/rural growth centers listed below. The Metropolitan Council would work with the local unit of government, the county and adjacent jurisdictions to develop plans and investment programs for this expansion.

The Metropolitan Council would offer to assist local governments in achieving these goals to the extent feasible, primarily through planning and technical assistance.

3. Policies for Rural Centers and Rural Growth Centers

- a. **Local communities choose to become Rural Growth Centers.** Rural Growth Centers could potentially become the primary locations of anticipated growth in the rural area. Alternatively, some communities may choose to remain at their current size (as “Rural Centers”). If a rural center’s plans would maintain it at its current size and scale, the primary goal would be to maintain its existing characteristics. Limited infill or expansion within the capacity of the wastewater treatment system may be appropriate.

The decision as to what level of growth is appropriate should be made by the local government, in consultation with the county and Metropolitan Council. Criteria reflecting regional objectives will be developed to assess requests from rural centers for regional assistance.

For rural centers choosing to maintain their current size the Council could provide planning and technical assistance. Other types of assistance might be appropriate as well, depending on the location of the rural center (e.g., a link to regional transit if along a transportation corridor), its size, and its infrastructure needs.

The following policies apply to rural centers that choose to become rural growth centers.

- a. **Improve wastewater treatment systems** to serve the projected population at required discharge standards.
- b. **Provide basic retail/commercial services** for residents.
- c. **Provide some linkage to regional transit** – e.g., “park and pool” lots in most locations. Rural growth centers along major transportation corridors may be suitable for park and ride lots or other transit service.
- d. **Protect regionally significant natural resources** and common open space
- e. **Provide a diversity of housing types, including affordable housing, at densities of at least 3 to 7 units per acre** in the community’s residential areas.
- f. **Define a growth area** for future growth in cooperation with the surrounding township(s), where present, and the county.
- g. **A rural growth center may develop into a regional growth center** under certain conditions. Rural growth centers that are located along designated transportation corridors would be the most appropriate locations for this degree of growth. Criteria for

this level of expansion would include meeting the goals for regional growth centers listed below. The Metropolitan Council would work with the local unit of government, the county and adjacent jurisdictions to develop plans and investment programs for this expansion.

The Metropolitan Council would offer to assist the local unit of government in achieving these goals through the following actions:

- a. Planning and technical assistance. For example, if a rural growth center chose to develop design guidelines to ensure that new or infill development is consistent with the community's historical character and "small town" characteristics, Council staff could provide model design guidelines.
- b. Financial or technical assistance with wastewater treatment. Metropolitan Council Environmental Services (MCES) may assume wastewater treatment responsibilities through mutual agreement with county and municipal governments.
- c. Assistance with regional transportation investments, which may include roads and transit investments
- d. Assistance with other regional investments where appropriate, such as regional parks or trails
- e. Funding assistance through an expanded Livable Communities program or improved coordination with state funding programs.

2. Policies for Regional Growth Centers

Regional Growth Centers have an important role to play in accommodating anticipated growth in the rural area. Their growth in the past several decades is an indicator of their importance as satellite centers that can support a full range of retail and service uses and a balance of jobs and housing.

- a. **Develop a strong central business district** that can serve the surrounding rural area as well as the community itself
- b. **Provide a dedicated transit link to the urban core** such as express bus service, in addition to park and ride facilities
- c. **Provide a diversity of housing types, including affordable housing, at moderate to high densities of 3 to 7 units per acre** averaged across the community's residential areas. Some higher-density nodes (15-50 units per net acre) may be desirable close to transit stops or other activity centers.
- d. **Accommodate major public facilities** such as a hospital or high school.
- e. **Define a growth area** for future growth in cooperation with the surrounding township(s), where present, and the county. Where a regional growth center includes more than one city (as in the Stillwater area), cooperative planning between cities should be initiated to define a growth area.
- f. **Protect regionally significant natural resources** and common open space

The Metropolitan Council would offer to assist the local unit of government in achieving these goals through such actions as:

- a. Planning and technical assistance. For example, if a regional growth center chose to develop design guidelines to ensure that new or infill development is consistent with the community's historical character and "small town" characteristics, Council staff could provide model design guidelines.
- b. Possible ownership and operation of wastewater treatment systems if needed. (MCES already provides wastewater treatment services for Stillwater, Hastings and Forest Lake and is considering the acquisition of the Rogers plant)
- c. Assistance with regional transportation investments, which may include roads and transit investments
- d. Assistance with other regional investments such as regional parks or trails
- e. Funding assistance through an expanded Livable Communities program or improved coordination with state funding programs

D. Regional Objectives for the Permanent Agricultural Area

1. **Protect regionally significant agricultural areas.** Large, contiguous agricultural areas within the Metropolitan region should receive protection from non-farm development to ensure the continuation of a valuable economic sector that is integrally tied to its natural resource base.
2. **Consider all types of agriculture.** Agriculture should be defined broadly. It should cover all types of agriculture, including specialty farming (sod farms, berry farms, nurseries, vineyards, etc.) and farming on less-than-prime soils.
3. **Encourage continuation of locally significant agriculture.** Agricultural lands that are not within large, contiguous blocks should also be encouraged to continue in agricultural production. Policies for these agricultural lands will be addressed in the Diversified Rural Area.
4. **Reduce development pressures on agricultural lands.** Guiding growth to rural settlements and the urban area will relieve development pressure on agricultural areas.
5. **Identify agricultural lands as a natural resource.** Agricultural lands are an important natural resource. They provide water recharge areas, open space, habitat and connections between important natural resource areas. The role of agricultural lands as a resource should be considered as the regional growth strategy is developed.

Permanent Agricultural Area Boundaries: The boundaries of the Permanent Agricultural Area should be determined by analyzing a series of locational factors. A GIS overlay of these factors will indicate potential areas to be included within the Permanent Agricultural Area. At a minimum, these factors should include: the location of all farms; prime agricultural soils; specialty cropland on non-prime soils; lands eligible for the Metropolitan Agricultural Preserves program; lands identified in local plans as permanent agriculture. Examples of other factors are contained in the *Permanent Agricultural Land Identification Process Report* developed by a Council-established task force.

After potential areas are outlined, consideration should be given to the need for a critical mass of farmland. Critical mass means the number of acres of farmland that enable farm support businesses to continue in operation. Without support services, farmers struggle to survive. One view of critical mass is 400,000 acres as stated in the *Agenda for Regional Action* discussion paper. Another rule-of-thumb for critical mass is enough farmland in close proximity to produce \$50 million in farm products.

Local preferences for what land should be included are also important. Washington and Dakota Counties initiated efforts that include farmland preservation. Both counties developed maps of priority protection areas.

E. Policies for the Permanent Agricultural Area

Multiple programs or tools are required to achieve the goal of supporting the continuation of agriculture in the Metropolitan region, and to prevent conflicting land uses in permanent agricultural areas. A balance between regulation and incentives is important to achieve the highest levels of participation and protection. The combined result of the programs and tools should be the preservation of areas where farming is the predominant land use and there are few conflicts between agriculture and other land uses. (Examples: Castle Rock Township, Hollywood Township, Belle Plaine Township,...) The following policies are proposed for the Permanent Agricultural Area:

1. Proposed policies requiring significant financial investments

- a. Enhance the existing Metropolitan Agricultural Preserves program** to encourage increased participation. This could be achieved by increasing the property tax credit to farmers. Addressing the issue of immediate filing for withdrawal could also strengthen the program.
- b. Establish a Purchase of Agricultural Preservation Easements (PAPE) program** - also referred to as Purchase of Development Rights (PDR) program - to offer a permanent protection alternative. Combining a PAPE program with an enhanced Metropolitan Agricultural Preserves program would capture the largest number of participants. Also, farmers hesitant about permanently restricting their land could participate in the agricultural preserves program while observing how the PAPE program worked.

2. Proposed policies requiring planning review or planning and technical assistance

- a. Maintain the agricultural zoning density standard** at a maximum of one house per 40 acres. This density standard could be maintained through a variety of agricultural zoning techniques. Strong agricultural zoning is necessary for support of other programs such as Metropolitan Agricultural Preserves, PAPE and Transfer of Development Rights (TDR).
- b. Provide incentives for communities that establish Agricultural Security Districts** with a minimum density of 160 acres per dwelling unit. An Agricultural Security District would limit non-farm rural development further than the base agricultural zoning density standard, and include the zoning provisions listed in the next policy. Incentives could include priority targeting for PAPE funds and technical assistance.
- c. Support other zoning provisions that minimize conflict between agricultural production and other non-farm uses**, such as:
 - i. Exclusive agricultural zoning
 - ii. Limits on commercial and industrial enterprises that are not related to agriculture or natural resources, such as golf courses and manufacturing plants that attract traffic and might be incompatible with agricultural operations.
 - iii. Prohibitions on cluster developments that result in a concentration of people not engaged in agriculture that may cause conflicts with agricultural operations and

demand for urban-level services.

- iv. Access management road standards on county roads to reduce conflicts between agricultural use of roads and use by others.

- d. **Support continuation of use-value assessment** for lands enrolled in the Metropolitan Agricultural Preserves program and lands in a PAPE or TDR program.

3. Proposed policies requiring cooperation with other jurisdictions or agencies

- a. **Encourage the development of Transfer of Development Rights (TDR) programs** coupling Permanent Agricultural Areas with Rural Growth Centers.
- b. **Establish growth reserve areas and orderly annexation agreements** for rural growth centers and regional growth centers that lie within Permanent Agricultural Areas. A negotiated growth reserve area combined with an orderly annexation agreement establishes where growth will occur and allows other programs to be targeted to areas outside the growth reserve. These tools address annexation issues as well as the desire for planned, staged growth.
- c. **Strongly encourage coordination of local land use plans** among municipalities, townships and counties.
- d. **Work with other agencies (University of Minnesota, Soil and Water Conservation Districts, Minnesota Pollution Control Agency) to encourage the use of Best Management Practices** targeted at reducing soil erosion and improving water and air quality.
- e. **Work with other regional partners to promote on-going information and education programs** to increase participation in available agricultural preservation programs.
- f. **Coordinate implementation** of Metropolitan Area agricultural policies and practices with efforts in **adjacent counties**.

4. Proposed policies focusing on economic development

- a. **Provide metro-wide economic development support** such as:
 - i. Promotion of networks for farm sales to new farmers
 - ii. Support for access to capital for beginning farmers
 - iii. Support for and promotion of Department of Agriculture economic development programs
- b. **Continue existing Council policy to restrict major public facilities** that will conflict with agricultural uses, attract ancillary development and place demands on the highway system unless there is no other possible site in the region.
- c. **Enhance right-to-farm protections.** These enhancements could include the requirement that landowners applying for a permit for non-farm land uses must sign an agreement that is filed with the deed that states they understand they are in an agricultural district in which farming activities are protected, and that they will not expect urban services.

F. Regional Objectives for the Diversified Rural Area

Rural character is the most apt term used to describe the proposed Diversified Rural Area. It encompasses a wide variety of uses and densities. (Examples: May Township, Burns Township,...) Rural Settlements and Rural Residential areas punctuate, and are considered separate from, the Diversified Rural Area; each has a separate set of policies.

Diversified Rural Area policies should accomplish the following objectives:

- 1. Acknowledge existing development patterns.** The Diversified Rural Area has a variety of existing densities and development patterns that are the starting point for policies.
- 2. Protect regionally-significant natural resources** consistent with the NRI/A.
- 3. Maintain rural character.** Preserve the sense of “rural character,” meaning scenic landscapes, farms, open views, few houses, woodlots, and wetlands - as defined by local units of government and their citizens.
- 4. Provide a rural life style choice** in areas not needed for urbanization, including opportunities for continued farming activities.
- 5. Provide locations for facilities and services** that are of value to the urban area but require a rural location (nurseries, campgrounds, festival grounds).
- 6. Balance the provision of housing with other objectives.** Accommodate housing at low densities as long as other objectives for the Diversified Rural Area are not compromised.
- 7. Provide for a transition** from the Urban Reserve to the Permanent Agricultural Area, and a frame for Rural Settlements and Rural Residential areas.

G. Policies for the Diversified Rural Area

The following policies are proposed to reach the objectives for the Diversified Rural Area:

- 1. Support a variety of appropriate land uses, including the continued presence of agriculture and other land uses requiring a rural location.** The Diversified Rural Area supports the widest variety of land uses in the rural area. Land uses include farming, farm-support businesses, non-farm housing, and certain non-farm activities that require isolation or particular resources.

As the current *Blueprint* states, a “common misconception is that agriculture and other rural land uses are only temporary, waiting for the land to be developed. Most of the rural area will not be needed for urban development in the foreseeable future. Agriculture and rural land uses are legitimate and permanent land uses in these areas.” The Council should provide technical assistance to local governments seeking to maintain agriculture in their communities.

In the Diversified Rural Area local governments may allow certain uses that require isolated, rural locations but that primarily serve the urban public. As stated in the current *Blueprint*,

the Diversified Rural Area is an appropriate location for campgrounds and recreational vehicle parks, regional parks, trails, landfills, race tracks, gun clubs, festival grounds, gravel pits, commercial and industrial uses that require space, and other similar land uses. The Council's interest is that these facilities are adequately served, consistent with local and regional plans, and to the extent possible that they do not interfere with farming.

2. Achieve residential densities and development patterns that preserve rural character.

Overall gross density of non-farm housing should not be more than 1 house per 10 acres calculated on the basis of 64 houses per 640 acres section. This flexible density standard serves as a proxy for rural character by ensuring development patterns that maintain a rural landscape. It results in an overall density equal to the current density standard. The number of housing units allowed on a tract smaller than 640 acres should be proportionate to the size of the tract.

The Council would accept alternative density and development patterns that are equally effective in achieving the regional objectives of protecting rural character, protecting natural resources, and avoiding regional investment in infrastructure. Local governments could consider the following additional density related standards to achieve development patterns that protect rural character:

- a. Guide housing to avoid or minimize harm to sensitive natural resources, particularly those that are identified through the regional NRI/A or local natural resources inventory. For identified areas consider overall development at densities lower than 64/640.
- b. Require housing to be sited so as to minimize effects on rural "visual character" and the viability of farming, by locating houses on the edges of wooded areas rather than high quality farm fields or in the center of high quality woods, on the sides of hills rather than the hilltops, and/or in locations that are considered difficult to farm by reason of soil conditions, slope or size.
- c. Guide subdivision design to minimize the number of county or state road access points.

3. Identify and protect regionally significant natural resources. The Metropolitan Council has partnered with Metro DNR to identify natural resources across the seven-county area through an NRI/A. This information can assist local governments to develop density and development design policies in the Diversified Rural Area that protect regionally significant natural resources.

4. Offer incentives, such as density bonuses, for clustered developments or developments that incorporate anticipatory platting in areas abutting rural settlements and are governed by annexation agreements or joint planning boards. Density bonuses should be provided only if other regional objectives such as natural resource protection are not diminished. Clustering can be used to protect farmlands or other desirable resources such as woods, wetlands or rural views. Cluster housing standards are detailed in the implementation section.

5. Encourage the creation of new Rural Centers/Growth Centers and Regional Growth Centers. To reinforce the policies under Rural Settlements, the Council should encourage and provide incentives for local governments to guide growth to Rural Centers/Rural Growth Centers and Regional Growth Centers. The Council prefers growth in such communities to be served by centralized wastewater treatment systems rather than on individual septic systems or alternative community systems.

6. Allow opportunities for transfer of development rights programs. Transfer of development rights programs allow the transfer of density between non-contiguous parcels.

The Metropolitan Council should encourage the use of transfer of development rights programs to provide flexibility in density and development design in the Diversified Rural Area.

7. **Plan for the expansion of Rural Settlements.** For local governments in the Diversified Rural Area that encompass or abut rural settlements, the Metropolitan Council should review comprehensive plans for policies that support orderly annexation of land to a rural settlement. The Council encourages orderly annexation (or joint powers service agreements) under the following conditions consistent with current *Blueprint* requirements:
 - a. Environmentally safe and sustainable wastewater treatment can be provided
 - b. Appropriate transportation infrastructure can be provided
 - c. Local regulations exist to require compact growth at densities suggested in the Rural Settlements policies
 - d. Significant natural resources will be protected
 - e. A planned growth edge is identified for growth through 2030
8. **Monitor pockets of development at near-urban densities.** In the Diversified Rural Area, there are some concentrations of housing at near-urban densities (i.e. one house per two acres or less.) Examples include unincorporated clusters of housing or manufactured housing communities. Policies for growth of these “Rural Residential Areas” are listed in the following section. At a minimum, the Metropolitan Council should monitor these pockets of development by:
 - a. Reviewing local comprehensive plans for policies and programs designed to:
 - i. Limit or prohibit growth except as designed under Rural Residential policies below
 - ii. Protect the function of county or state roads
 - iii. Protect “rural character”
 - b. Work with local governments to ensure that facilities are built or maintained to protect water resources.
9. **Provide no regional wastewater treatment service or transportation infrastructure with urban service levels in the Diversified Rural Area.** Communities in the Diversified Rural Area will be responsible for providing for all wastewater treatment services, roads and other required urban services at their own expense.
10. **Support proper management of on-site individual sewage treatment systems (ISTS).** The Metropolitan Council should continue its review of local plans for provisions mandating ordinances that ensure that individual sewage treatment systems are sited, constructed and maintained in a way that protects groundwater.

H. Regional Objectives for Rural Residential Areas

Rural Residential Areas are those places, generally within the Diversified Rural Area, that are currently developed at near-urban densities (i.e. one house per two acres or denser), but do not have the characteristics of Rural Settlements. (Examples: Ham Lake, Credit River Township,...)The Rural Issues Work Group developed a separate set of objectives and policies for local governments that may desire growth for existing Rural Residential Areas.

Rural Residential Areas policies should accomplish these objectives:

- 1. Acknowledge existing development patterns** in communities that have developed at densities of 1 unit per 2 or fewer acres in areas served by rural infrastructure.
- 2. Protect regionally significant natural resources** and implement best management practices and other measures to prevent development from compromising natural systems such as groundwater.
- 3. Provide sufficient public services and infrastructure** to meet the needs of current and future residents. Local governments, the Metropolitan Council, Mn/DOT and other state agencies are involved in the provision of public services and infrastructure.
- 4. Provide guidance for growth of Rural Residential Areas that meets the objectives listed above.**

I. Policies for Rural Residential Areas

The following policies are proposed to reach the objectives for Rural Residential Areas:

- a. Identify existing Rural Residential Areas.** Areas predominately developed on lots of two acres or less and where no plans exist for centralized wastewater treatment should be identified as Rural Residential Areas.
- b. Allow for planned growth of Rural Residential Areas that meets regional objectives.** In a Rural Residential Area, additional development should be allowed only if the local government has a plan and investment program consistent with regional policies and objectives. If possible, local governments should consider how Rural Residential Areas can transform into Rural Centers/Rural Growth Centers. The Council will review plans and investment programs for the growth of Rural Residential areas for the following requirements:
 - a.** Provision of safe and sustainable wastewater treatment
 - b.** Protection of regionally significant natural resources
 - c.** Limited access points to state and county roads systems consistent with state and county access management policies
 - a.** Construction of an interconnected local public street system
 - b.** A planned growth edge is identified for growth through 2030
 - c.** Provision of the public facilities and services consistent with level of development. The local government should prepare a forecast of the cost of such facilities and services and the effect on the local tax rates before approving growth plans for these areas.

J. Regional Objective for Natural Resources in the Rural Area

One of the most effective means of protecting natural resources is to integrate natural resource planning into land use planning. Often natural resources are viewed as an afterthought in the land use planning process. Natural resources and open space are viewed as those places that are either unbuildable (wetlands, steep slopes, etc) or are **currently** undeveloped (farmland, vacant land, etc), but waiting to be purchased and developed. In this approach natural resources that are not protected under current law may be viewed as being in transition to some higher use. There are many documented cases of development occurring in areas that are “unbuildable” or environmentally sensitive. Wetlands are easily filled, slopes can be stabilized and there are numerous cases of floodplains being developed.

While acknowledging the on-going efforts of a partnership among the Metro DNR, the Metropolitan Council and others to map the region’s natural resources and develop policies for their protection, the Rural Issues Work Group considered recommendations for the protection of natural resources within the region’s rural area.

Policies for natural resources in the rural area should achieve the following objective:

Identify and protect regionally significant natural resources. Natural resources of regional significance should be identified, and both regional and local plans should include policies and actions to protect them.

K. Policies for Natural Resources in the Rural Area

To protect regionally significant natural resources in the region’s rural area five specific actions are proposed for incorporation into *Blueprint 2030*:

1. **Encourage the establishment of performance-based standards.** Local governments should be encouraged to develop performance-based standards to replace the current emphasis on density standards. Performance-based standards measure the impact of particular land uses and development patterns on natural resources. Local performance-based standards could be incorporated in cluster designs. The use of performance-based standards might be a criteria considered by the Council when offering regional incentives to local governments.
2. **Align regional system investments and policies:** Regional system investments and policies should align to ensure the protection of natural resources. Ensuring that investments made in rural areas support implementation of rural and natural resource policies will be critical. Policies developed as the NRI/A is completed will direct regional system investments consistent with implementation of rural and natural resource policies.
3. **Provide planning assistance and technical assistance to local governments.** To assist local governments in implementing regional natural resource policies while also meeting local needs, the Council should provide a comprehensive collection of land use tools for local communities. Local communities may then choose those tools that best meet their individual needs. The collection of tools may include **regulatory** solutions such as zoning, **incentive** solutions such as Transfer of Development Rights or tax credits, and **acquisition** programs. The Council, in cooperation with other organizations such as the DNR, the Department of Agriculture and conservation groups, should offer increased technical assistance to local governments.
4. **Incorporate regional objectives for natural resource protection into the local comprehensive planning process.** The comprehensive planning process is a way to communicate with local

governments about how their land use choices impact the region. This approach provides the Council with opportunities to foster coordinated sub-regional planning efforts engaging multiple local communities to coordinate efforts to implement the *Blueprint*.

III. Implementation Strategies for the Rural Area

The Rural Issues Work Group recommends the following implementation strategies to achieve the regional objectives and policies for the rural area presented in section II. of this report.

For policy development and implementation strategies, the rural area was conceptually divided into the following areas:

- **Rural Settlements**
- **Permanent Agricultural Area**
- **Diversified Rural Area**
- **Rural Residential Area**

The Rural Issues Work Group also considered policies and implementation strategies to preserve and protect **natural resources** in the rural area. The Environmental Policy Plan provides much greater guidance for the protection of natural resources throughout the metropolitan area.

The *Framework for the Blueprint 2030* provides the following key directions for development of policies and implementation strategies for the *Blueprint* update:

- *More closely align the environmental, transportation and community development goals, objectives and policies.*
- *Set Priorities and align regional investment to maximize the benefits of limited public resources.*

Implementation strategies focusing on regional alignment foster a more cooperative and comprehensive approach to regional growth and development. Implementation strategies presented in this report are organized to support a focus on regional alignment. A combination of regional systems, regional investments and land use planning strategies - including strategies for identifying and protecting the region's natural resources - are proposed for each of the four rural policy areas.

Emphasis is placed on giving choices to local communities on how to implement rural area policies. Many of the implementation strategies recommend that the Metropolitan Council **provide information** on the benefits of policies to local communities. Another basic strategy is the **distribution and/or development of model design guidelines, ordinances, and programs** that local communities can tailor to their circumstances. (Many examples already exist at the local level and should be shared.) Local communities that choose to implement environmentally sound practices should also be eligible for **technical assistance** from the Metropolitan Council. The implementation plan also relies on **consistent cooperative interaction** between Metropolitan Council staff and local government officials and staff. This higher level of interaction should lead to better alignment between regional policies and local plans, programs and ordinances.

A. Implementation Strategies for Rural Settlements

Rural settlements are areas of population concentration located throughout the rural area. They are defined as a hierarchy of places in section II. above. The following implementation strategies are presented for rural settlements.

1. **Work with selected Rural Growth Centers to evaluate and provide wastewater treatment services.** A central implementation strategy is for the Metropolitan Council to consider assuming some responsibility for wastewater treatment services for a number of rural growth centers that meet certain environmental, transportation, land use planning and cost criteria. These rural growth centers could potentially be the focus of much of the growth forecast for the Rural Area, guiding growth away from the Permanent Agricultural and Diversified Rural Areas. Rural growth centers may elect to work with the Metropolitan Council staff to evaluate potential costs and benefits of various scenarios for providing wastewater treatment services. Scenarios may include Metropolitan Council investment in systems that do not connect to the Council's centralized systems. Impacts on existing treatment plants, service costs and service fees, groundwater and surface water quality, and other regional systems should be considered.
2. **Target highway investments to benefit expanding regional growth centers and certain rural growth centers.** Regional growth centers and rural growth centers that elect to accommodate future growth and meet selection criteria for increased regional investment should be targeted for future highway investments. Regional and sub-regional transportation corridors should link these growth centers to the urban area. Funding for such investments should be considered in the context of priorities for transportation and transit investments for all policy areas in the region.
3. **Expand transit options.** The Council should consider options for providing some level of improved transit service to certain regional and rural growth centers located beyond identified transit corridors—again in the context of regional transportation priorities. This could involve strategic placement of park and ride lots in selected centers in proximity to the metropolitan highway system, along with possible improvements to transit service along these highways. For rural growth centers beyond the reach of the regional transit system, “park and pool” lots should be provided where additional growth is planned or forecast.
4. **Provide grants or planning technical assistance** to existing or potential rural growth centers to plan for growth. Multiple jurisdictions need to be involved in defining growth areas around rural growth centers and appropriate levels of rural growth.
5. **Park and open space investments should be targeted** to complement the efforts of regional growth centers and rural growth centers that choose to work with the Metropolitan Council to accommodate anticipated growth in the rural area and meet criteria for additional regional investments. The goal of these investments is to allow for appropriate rural settlement growth while protecting the integrity of regionally significant natural resource areas.

B. Implementation Strategies for the Permanent Agricultural Area

The following implementation strategies will help achieve the stated policies for the Permanent Agricultural Area:

1. **Direct regional wastewater treatment system investments to areas outside the Permanent Agricultural Area.** To maintain the integrity of the Permanent Agricultural Area, investments in wastewater treatment in the Rural Area should be directed to rural growth centers and regional growth centers.
2. **Limit wastewater treatment system hookups for a sewer lines crossing a Permanent**

Agricultural Area. If a current, or future, sewer line crosses through a Permanent Agricultural Area the Metropolitan Council should prohibit connections to the line in this area. Allowing connections, particularly for non-farm uses, will undermine the effectiveness and integrity of the Permanent Agricultural Area.

3. **Define Permanent Agricultural Area boundaries.** The *Agenda for Regional Action* proposed a goal of protecting 400,000 acres of farmland within the metropolitan area. The Council and local government staff should use the regional GIS data base to overlay a series of factors defining boundaries of a Permanent Agricultural Area, such as:
 - a. Location of lands currently in farms
 - b. Prime and locally-important agricultural soils
 - c. Specialty cropland on non-prime soils
 - d. Metropolitan Agricultural Preserves eligibility
 - e. Lands identified in local comprehensive plans as permanent agriculture
4. **Develop and propose statutory changes to enhance the Metropolitan Agricultural Preserves Act by providing an alternative, longer-term enrollment option.** The existing short-term program would remain as an option. However, a longer-term/higher-benefit option would be created. The Metropolitan Council should pursue the following specific changes to Minn. Stat. 473H to increase participation and better achieve long-term protection goals (a more detailed implementation strategy is included in an appendix to this report):
 - a. Create an optional enrollment period of a minimum of 30 years.
 - b. Increase the property tax credit to a level that will induce landowners to sign-up for the longer term.
 - c. Clarify the economic hardship relief rules to better define what constitutes a case of hardship that would allow the landowner to withdraw early.
 - d. Require additional planning and best management practices for lands enrolled in the 30-year term program as well as restricting the construction of non-farm buildings and guiding the location of farm buildings to non-productive farmland.
5. **Develop a program and pursue funding for a Purchase of Agricultural Preservation Easements (PAPE) program.** The Metropolitan Council should work with counties that have Permanent Agricultural Areas to develop a PAPE program. The Minnesota Department of Agriculture should also be involved in the development of the program. (Program cost estimates, and suggested components and process are contained in an appendix to this report.)
6. **Develop and distribute informational materials and model ordinances, conduct informational workshops and offer to provide technical assistance** to local governments pursuing innovative planning and zoning techniques, such as:
 - a. Establishing agricultural security districts that use a combination of elements to provide maximum protection for agriculture. Among techniques are included:
 - i. Very large lot sizes - minimum 160 acres per dwelling
 - ii. Establishment of an agricultural district qualifying for Metropolitan Agricultural Preserves Program
 - iii. Exclusive agriculture zoning allowing only farm related uses
 - iv. Limitations to prevent locating structures on productive land
 - v. Requirement of agricultural use notice and nuisance waivers for land use permit applicants
 - vi. Exemption from assessments
 - vii. Exemption from local nuisance ordinances

- viii. Annexation limited
 - ix. Preference for PAPE purchases
 - b. Exclusive agricultural zoning
 - c. Purchase of Agricultural Preservation Easements
 - d. Other zoning provisions that minimize conflict between agriculture and non-farm uses
- 7. **Allow opportunities for potential transfer of development rights programs and offer to provide technical assistance** to officials and staff of local governments interested in establishing a TDR program. As an **incentive** to create TDR programs, the Metropolitan Council could increase the priority for wastewater treatment investments for rural growth centers that create a TDR program with neighboring jurisdictions.
- 8. **Promote the benefits of coordinated planning and provide facilitation services.** Metropolitan Council staff should develop materials and workshops promoting the benefits of coordinated planning and offering guidance on implementing coordinated planning processes. Metropolitan Council staff could also assist with facilitation of coordinated planning processes. Facilitation could be provided to local governments involved in:
 - a. Multi-jurisdictional coordinated planning efforts
 - b. Developing Transfer of Development Rights programs
 - c. Defining growth reserve areas around expanding rural and regional growth centers
 - d. Negotiating orderly annexation agreements
- 9. **Provide planning grants** to encourage local governments interested in implementing innovative tools. Programs such as PAPE and TDR require a significant commitment of staff time to develop local policies, priorities and ordinances. Planning grants could also be used as incentives for local governments to undertake coordinated planning efforts.
- 10. **Establish a forum for dialogue with officials and staff of counties adjacent to the seven-county Metropolitan Area.** Specific Metropolitan Council staff should be designated to conduct outreach efforts to surrounding counties. To be effective, staff should develop a consistent and continuing forum for discussing planning issues that affect both the seven-county metro area and surrounding counties.
- 11. **Promote appropriate road design and access management** along county and state highways throughout the rural area to mitigate development pressures on Permanent Agricultural Areas and guide growth away from Permanent Agricultural Areas and toward areas that are planned for some level of growth.

C. Implementation Strategies for the Diversified Rural Area

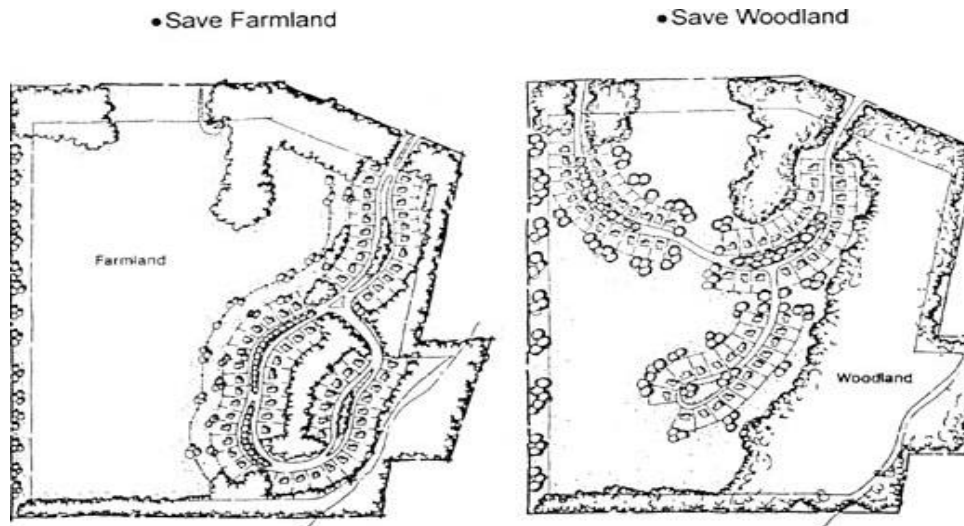
The following implementation strategies will help maintain the essential elements of the Diversified Rural Area in a manner that maintains local choice.

- 1. **Evaluate and minimize cumulative wastewater treatment impacts of cluster development.** Rural cluster developments are frequently recommended as a means of allowing housing in the Diversified Rural Area while preserving significant open space, farmlands or natural resources. However, they can result in a cumulative increase in the number of on-site wastewater treatment systems or construction of community treatment systems. As part of the Metropolitan Council's assessment of wastewater treatment alternatives for rural areas, the potential effects of these community systems on groundwater and surface water should be evaluated. After these effects are determined, the Metropolitan Council staff should develop advisory standards for cluster developments and provide

technical assistance to local communities that allow cluster development (see Natural Resources implementation strategy #4 below).

2. **Prepare informational materials and conduct workshops** for local planners and zoning administrators. The Council should:
 - a. **Illustrate how to guide development on the basis of density** and how to calculate density on the basis on 640 acres of land for ownership tracts smaller than 640 acres. The materials and workshops should also present methods for tracking previously permitted density and legal aspects of regulating land development in this manner.
 - b. **Facilitate appropriate clustered housing design by updating and distributing** copies of the Metropolitan Council's report *Open Space Design Development: A Guide for Local Governments* (1997) and **conducting informational seminars** for local planners and zoning administrators.
 - c. Prepare and distribute materials and conduct informational seminars on **how to use joint planning and "anticipatory platting" techniques**.
 - d. Publicize the results of the Council's recent **cost of development study** with emphasis on near-urban (i.e. rural residential) densities.
 - e. Conduct a study and prepare recommendations regarding how local governments can **estimate the full cost** of near-urban rural residential and semi-rural land development in their locality and recover those costs from new and existing land developments.
 - f. Provide technical assistance and informational materials to local officials and staff regarding **transfer of development rights programs**.
3. **Review clustered housing provisions.** The Council should review local comprehensive plans for the inclusion of clustered housing policies with the following provisions:
 - a. Small lots (limited in size only by the adequate function of the sewage system)
 - b. Permanent protection of significant natural resources
 - c. Protected open space
 - d. Design and management of on-site or communal wastewater systems
 - e. Properly designed individual wells or community wells
 - f. A layout that maintains the appearance of a rural setting
 - g. Traffic generation consistent with rural levels of road service
 - h. No interference with long-term agriculture or the growth of a rural settlement

Example of Rural Clustering Options



Rural housing clusters may be designed to preserve farmland, other natural features, and/or open views. Local governments should assess a site's resources before choosing locations for preservation and development. Clustering is a technique to allow a reasonable amount of land development while conserving the most valuable aspects of rural character.

4. **Provide a GIS database** from the NRI/A project to local governments for use in identifying land with development constraints. The Metropolitan Council could also develop and conduct workshops for local government staff, landowners and developers on how to use the data in determining development constraints on a site-specific basis.
5. **Provide technical assistance to local governments in developing policies and ordinances to protect locally significant agricultural areas.** Local governments in the Diversified Rural Area may be interested in protecting working farms outside the Permanent Agricultural Area. Metropolitan Council staff could offer to assist local governments in writing policies and ordinances to protect these farms using techniques such as:
 - a. Creating agricultural districts that promote the continuation of farming
 - b. Requiring buffers between farms and new residential development
 - c. Requiring applicants for land use permits on land adjacent to working farms to sign waivers acknowledging that farming may produce nuisances and waiving the right to sue

D. Implementation Strategies for Rural Residential Areas

Rural Residential Areas are those areas within the Diversified Rural Area that are already developed at densities of one unit per two acres or greater. Implementation strategies are designed to help local communities understand and address issues related to rural residential development, and to result in orderly and efficient development patterns.

1. **Evaluate wastewater impacts** of rural residential development related to increased environmental risks.
2. **Prepare informational materials and conduct workshops** for local planners and zoning administrators. The Council should:
 - a. Publicize the results of the Council's recent **cost of development study** with emphasis on near-urban (i.e. rural residential) densities.
 - b. Conduct a study and prepare recommendations regarding how local governments can **estimate the full cost** of near-urban rural residential and semi-rural land development in their locality and recover those costs from new and existing land developments.
 - c. Provide technical assistance and informational materials to local officials and staff regarding the **transfer of development rights**.
 - d. Provide assistance to local communities seeking to transition from rural residential development patterns to rural settlement development patterns.
3. **Encourage cities and townships** to prepare plans for, and require developers to build, a fully interconnected local street system within Rural Residential Areas to provide alternatives to the use of county and state highways.

E. Implementation Strategies for Natural Resources in the Rural Area

Blueprint 2030 should provide local communities with resources and assistance to integrate natural resource planning into the planning and development process. To accomplish this the following implementation strategies are critical.

1. **Review future Comprehensive Plan updates for alignment with regional natural resource goals and objectives.** To ensure this alignment, the Council will provide local communities with general direction on the Council's natural resource policy and expectations for protection of natural resources. The Council will identify the regionally significant natural resources that it is trying to protect and the policies, goals and objectives in place to help protect the resources. Comprehensive plan updates and amendments will be reviewed to ensure they are consistent with these policies, goals and objectives and are protecting the valued natural resources.
2. The Council should **prepare materials, conduct workshops and offer to provide direct assistance** to local communities on the following land use techniques:
 - a. Detail how to **develop and implement performance based ordinances** that address:
 - i. Minimizing fragmentation of significant natural resource areas
 - ii. Creating buffers to significant natural resource areas.
 - iii. Constructing and operating innovative stormwater management systems and other approaches to balancing natural resource protection and new development.
 - b. **Develop guidelines to promote innovative design approaches** that minimize fragmentation of significant natural resources, prevent impacts to wetland and other natural resources, limit transportation improvements in identified sensitive natural areas, and ensure a safe and efficient transportation system.
3. **Provide technical assistance** and coordinated planning to promote **efficient design and appropriate expansion** of the regional wastewater treatment system and the regional transportation system in the urbanizing area that minimizes impacts on sensitive natural

resource areas.

4. **Create a guidebook and offer technical assistance to inform local leaders about small-scale wastewater treatment systems for rural centers and cluster developments.** This effort is to ensure that alternative systems are installed only where appropriate and to help local communities acquire the background information necessary to make informed decisions regarding wastewater treatment. Decisions to permit the use of on-site treatment systems and alternative wastewater treatment systems are of particular concern to local governments because the Metropolitan Council does not intend to provide wastewater service to the Agricultural Area, the Diversified Rural Area or the Rural Residential Area. Should these systems fail local governments will be responsible for resolving the problem.
5. **Investigate and promote ways to combine funding opportunities** for investment in both transportation system improvements and natural resource protection (e.g., Transportation Efficiency Act for the 21st Century (TEA21), wetland mitigation, locational choices).
6. **Work in partnership with the Metro Department of Natural Resources and others to provide information and technical assistance** to local governments that will:
 - a. Explain the NRI/A process (the assumptions, the results, the data availability) and how further details can be developed at a local level to help planning efforts to protect identified natural resources.
 - b. Demonstrate the interconnectedness and importance of land use and natural resource issues.
 - c. Provide local communities with a NRI/A methodology that they can adapt to local needs and circumstances.
 - d. Use the regional NRI/A to assist local governments with the preparation of more detailed local NRI/As.
 - e. Provide assistance or planning grants to rural communities lacking staff or resources to complete a local NRI/A and natural resources plan.
7. **Review local comprehensive plans for appropriate policies, maps and official controls to ensure the protection of regionally significant natural resources** as identified through the NRI/A process. (If requested by the local government, the Council could also assist local governments with the development of policies and official controls to protect identified locally significant natural resources.)
8. **Foster cooperation among state and federal agencies, local governments and others that have an interest in natural resource protection.** The Council should develop a systematic method for sharing information among agencies and other partners to promote discussion, minimize redundancy and ensure natural resource protection is aligned and supported by all appropriate jurisdictions.

Appendix A Rural Settlements Summary Table RURAL SETTLEMENTS				
Rural Settlement Type	Hamlet	Rural Center	Rural Growth Center	Regional Growth Center
Definition	A settlement, often at a crossroads, primarily residential in character, but with a small compact core offering limited convenience goods and community activities.	A compact settlement that includes one or more residential neighborhoods surrounding a center that provides basic consumer services and community activities to residents or nearby residents.	Same definition as a Rural Center Distinction: the community's interest in growth as expressed in its plans and policies.	A city that is separated from the Urban Area. It has its own "core" and "suburbs," and serves a larger surrounding land area. It shares many of the characteristics of a Rural Growth Center.
Typical Existing Characteristics	Often part of a larger jurisdiction (city or township) No public water or sewerage Surrounded by agricultural, rural or natural resource lands Average housing densities of 2 or more units/acre Population generally under 500 (around 200 households)	<i>Incorporated city or the "center" of a township-sized city</i> Centralized wastewater treatment Civic facilities present (schools, churches, parks, etc.) Basic neighborhood-level retail and service uses are present; but not a regional shopping or employment center Access to a county or state arterial highway Average housing densities of 2 – 7 units/acre Population generally 500 – 2,500 Often surrounded by a defined growth/expansion area	<i>Characteristics the same as those of a Rural Center</i>	Incorporated city Central wastewater treatment Includes regional-level retail and civic facilities, health care facilities, etc. Includes a greater share of employment (esp. in county seats) Often has dedicated transit connection, i.e. express bus Some diversity of housing types Access to a state highway Average housing densities of 3-7 units/acre or more Population generally 5,000+ Often surrounded by defined growth/expansion area

Appendix A Rural Settlements Summary Table RURAL SETTLEMENTS			
Policies/ Desired Characteristics	<p>If a rural center's plans would maintain it at its current size and scale, the primary goal would be to maintain its existing characteristics. Limited infill or expansion within the capacity of the wastewater treatment system may be appropriate.</p>	<p>Improved wastewater system (regional or local) to serve projected population</p> <p>Provide basic retail services for residents; employment to the extent feasible</p> <p>Some linkage to regional transit – i.e., “park & pool” lots</p> <p>Protect regionally significant natural resources and common open space</p> <p>Provide a diversity of housing types, including affordable housing, at densities of 3 – 7 units/acre</p> <p>Cooperatively define an “urban reserve” area for future growth with the surrounding township and county (this may involve orderly annexation agreements)</p> <p>Establish some basic contextual design standards to ensure new or infill development is consistent with historical and “small town” character.</p> <p>Rural Growth Centers may choose to grow into Regional Growth Centers in the future.</p>	<p>Maintain a strong central business district</p> <p>Provide a diversity of housing types, including affordable housing; at densities of 3 – 7 units/acre; some higher-densities nodes close to transit or activity centers</p> <p>Cooperatively define an “urban reserve” area for future growth with the surrounding township and county (this may involve orderly annexation agreements)</p> <p>Accommodate major public facilities such as high schools</p> <p>Establish some basic contextual design standards, including standards for new or infill development consistent with historical character and compact mixed use development principles.</p>

Appendix A Rural Settlements Summary Table RURAL SETTLEMENTS				
Proposed Metropolitan Council Actions If the local government chooses to work with the Metropolitan Council, the Council may provide the following:	Planning, zoning and design assistance	Planning and technical assistance Other assistance may be appropriate depending on the location of the rural center (i.e. a link to regional transit if along a transportation corridor), its size, and its infrastructure needs	Planning and technical assistance Financial or technical assistance with wastewater treatment Assistance with regional transportation investments and investments such as regional parks or trails Funding assistance through an expanded Livable Communities program, or coordination with state programs (housing, transportation, etc.) Some linkage to regional transit, ranging from park & pool lots to park & ride along transportation corridors	Planning and technical assistance Own and operate the wastewater treatment system Assistance with regional transportation investments (may include roads and transit investments) Funding assistance through an expanded Livable Communities program or coordination with state programs (housing, transportation, etc.) Improved, dedicated transit service along transportation corridors

Appendix B

Approach for Amending the Metropolitan Agricultural Preserves Program Minnesota Statutes Chapter 473H

A. Background on the Metropolitan Agricultural Preserves Program

The Metropolitan Agricultural Preserves Program is a voluntary agricultural preservation program where enrolled land is assessed according to its agricultural value rather than market value. There is an additional property tax credit (“conservation credit”) of at least \$1.50/acre/year. Other benefits include exemption from special assessments and protection from annexation. Enrollees are required to complete the “Metropolitan Agricultural Preserves Restrictive Covenant” enrollment form specifying that the land will be kept in agricultural use as defined by statute. The restrictive covenant remains in effect indefinitely, or until the date an expiration notice is signed. The restrictive covenant and its benefits terminate eight years from the date the expiration notice is filed.

A \$5 fee levied by each county on mortgage registrations and deed transfers (MRDT fee) funds the program. Each county collects the fee and keeps \$2.50. The other half is transferred to the state conservation fund account (MN Stat. 40A). Since landowners enrolled in Agricultural Preserves receive a property tax savings (conservation credit), the counties use this revenue to compensate for the property tax difference. Counties first pay conservation tax credits from their \$2.50 share of the proceeds, then draw from the state fund if county proceeds are insufficient to meet tax credit demands. If a county’s share of the MRDT fee is more than the amount required to cover the total conservation credits in that county, it may use the excess funds for agricultural land conservation and soil conservation activities. Most counties have chosen to fund Soil and Water Conservation Districts (SWCD) with the excess funds.

In 2000, Carver and Dakota Counties drew from the state conservation fund account because conservation credits exceeded the total amount of the MRDT they retained. After all withdrawals from counties, the state conservation fund has carried an average balance of \$1.28 million for the past four years. This balance is not an amount that is added yearly; rather it reflects the accumulation of overages produced over a number of years. For example, the amount added to the state conservation fund balance in 2000 was \$277,862. This fund has been diverted, in whole or in part, for other state purposes in the past and is proposed to be diverted in whole under current budget proposals.

B. Proposed Policy

The Metropolitan Council’s Rural Issues Work Group has proposed adopting the following policy:

Enhance the existing Metropolitan Agricultural Preserves program to encourage more participation.

C. Proposed Implementation Strategies for Enhance the Metropolitan Agricultural Preserves Program

The Metropolitan Council’s Rural Issues Work Group has considered adopting the following statements as an implementation program for the policy stated above:

1. Develop and propose statutory changes to enhance the Metropolitan Agricultural Preserves Act by **providing an alternative, longer-term enrollment option**. The existing short-term program would remain as an option. However, a longer-term/higher-benefit option would be created. The Metropolitan Council should pursue the following specific changes to Minn.

Stat. 473H to increase participation and better achieve long-term protection goals:

2. Create an **optional enrollment period of a minimum of 30 years**. This would help the program qualify for matching funds from the anticipated federal farmland protection program.
3. **Increase the per acre property tax credit** to a level that will induce landowners to sign-up for the longer term. It has been suggested that \$5.00 per year would be sufficient. The counties forward 50% of the MDRT fee (currently \$5 per transaction) to the State Conservation Fund account. This account is used to reimburse counties whose Metropolitan Agricultural Preserves Program costs are not completely covered by the 50% of the MRDT fee that remains in that county. Excess balances in this account have been carried in past years.
 - a. There were 200,295 acres enrolled in the Metropolitan Agricultural Preserves Program in 2000. If an additional **100,000 acres were enrolled** instead in the alternative, longer-term enrollment option, it would cost an **additional \$500,000 per year**.
 - b. The increased cost could be funded by:
 - i. Using current State Conservation Fund balances (the balance in this account has ranged from \$675,000 to \$1.9 million over the past four years)
 - ii. Securing federal farmland protection program matching funds
 - iii. Increasing the MRDT fee
4. **Clarify the economic hardship relief rules** (MN Stat. 473H.09) to better define what constitutes a case of hardship that would allow the landowner to withdraw early.
5. **Require additional planning and best management practices** for lands enrolled in the 30-year term program as well as restricting the construction of non-farm buildings and guiding the location of farm buildings to non-productive farmland.

D. Additional Implementation Information

1. Statutory changes

There are three primary changes necessary to implement the enhanced Metropolitan Agricultural Preserves Program as suggested above.

- a. **Create a 30 year term option under section 473H.08 Duration.** This option would require 30 year agreements with no provision for withdrawal other than hardship.
- b. **Raise the minimum conservation credit to \$5.00/acre/year under section 473H.10(c)** for the 30-year term option.
- c. Add requirements for a **current soil conservation plan** certified by local SWCD and **other best management practices under section 473H.16Conservation.**

2. Cost and funding of increase in conservation credit to \$5.00/acre/year

Current program enrollment (expiration 8 years after expiration notice is filed) is approximately 200,000 acres. This discussion assumes enrollment in this option will remain the same, although there could be some conversion from the 8-year expiration to the 30-year term. The total eligible acres were 512,000 in 1999.

In the proposed Purchase of Agricultural Preservation Easements (PAPE) scenarios, protection of 100,000 acres was used for comparison. If an enhanced Metropolitan Agricultural Preserves program protected an **additional** 100,000 acres of newly enrolled land under the 30-year term program the costs would be:

Cost of \$5/ac/yr conservation credit for an additional 100,000 acres –

\$500,000 per year; \$15,000,000 over a 30 year term
\$500,000 is greater than the amount of overage in 2000 (\$277,862)

If an additional 200,000 acres is protected (doubling the size of existing enrollment):

Cost of increase to \$5/ac/yr conservation credit for an additional 200,000 acres -
\$1,000,000 per year; \$30,000,000 over a 30 year term

Increasing the conservation credit payment from \$1.50 to \$5.00/acre would use money that is currently being used in the following ways:

- a. The portion of the \$2.50 county share of the MRDT fee that is not used to reimburse the county and cities for lost revenue is primarily used to fund county soil and water conservation district activities.
- b. The state conservation fund account (the \$2.50 of the MRDT fee that is retained by the state) is first used to reimburse counties that cannot cover their lost revenue with their share of the MRDT fee. Last year, Carver and Dakota counties spent all of their share and received portions of the state conservation fund account. Counties in greater Minnesota participating in the state's agricultural preservation program also received portions of the state conservation fund account.

Payments for a 30-year term program could reduce the amount of revenues directed to SWCDs. The state conservation fund account could support additional costs for the 30-year term program, but if the program is very successful, it may be oversubscribed. This, of course, assumes MRDT fees remain at \$5.00, and the rate of mortgage registrations and deed transfers does not drop below the current level. Provision should be made for a source of revenues to supplement the state conservation fund if needed. Possible sources include: general state property tax revenues, an increase in the MRDT fee, or use of state conservation fund balances to create an endowment to generate future revenues.

3. Matching funds from the federal Farmland Protection Program to further increase conservation credit benefit

It has been suggested that conservation credit tax incentives could be further enhanced by the use of matching funds from the Federal Farmland Protection Program (FPP) and other county funds. The \$5.00 paid by a county under the Metropolitan Agricultural Preserves Program could be matched by an additional \$5.00 from the FPP, thus bringing the total benefit to \$10.00/acre/year

The FPP funding is part of the current Farm Bill under consideration in Congress. The Senate and House have each passed versions of the Farm Bill with the FPP funded at \$200 million and \$350 million respectively. An eligible program could receive a 50/50 match for payments to landowners for programs that acquire easements or other interests in land that provide permanent protection (a minimum of 30 years) from conversion to nonagricultural uses. An informed guess was made that Minnesota could receive up to \$15 million in FPP funds for an eligible program, however this is not a guarantee. The Minnesota 30-year term program would be competing for FPP funding against programs in other states that acquire permanent conservation easements. To date, the FPP has only funded the purchase of permanent easements. It is also unclear as to how the FPP would treat a 30-year stream of payments.

An **additional statutory change** to the Metropolitan Agricultural Preserves Program would be necessary to qualify for federal funds. The 30-year term program would have to acquire an interest in land that is enrolled for the 30-year period. The restrictive covenant placed on land enrolled in the current program is not an interest in land that is acquired by the county or state. A term conservation easement held by the county or state would satisfy the federal requirement.

4. Additional County funds used to further increase the per acre payment

Another way that has been suggested to increase the incentive for landowners to enroll in a 30-year term option would be for counties to use other funds (local bonding, general revenues, etc.) to increase the payment. No change in state legislation would be necessary. A county would have to establish a fund and rules for making payments.

5. Cost of program with FPP match and additional County match

If FPP funds were obtained as a 50/50 match for the \$5.00 base conservation credit, and a county chose to make an additional contribution of \$3.00/acre/year, the **total benefit to a landowner** would be:

\$13/acre/year
\$390/acre over the 30-year term
\$15,600 for 40 acres over the 30-year term

The **total program cost** would be:

For an additional 100,000 acres of newly enrolled land under the 30 year term program:

Cost of \$5/ac/yr conservation credit for an additional 100,000 acres -
\$500,000 per year; \$15,000,000 over a 30 year term

**Cost of above plus county match plus FPP match -
\$1,300,000 per year; \$39 million over a 30 year term**

If an additional 200,000 acres is protected (doubling the size of existing enrollment):

Cost of increase to \$5/ac/yr conservation credit for an additional 200,000 acres -
\$1,000,000 per year; \$30,000,000 over a 30 year term

**Cost of above plus county match plus FPP match -
\$2,600,000 per year; \$78 million over a 30 year term**

Appendix C

An Approach for Implementing a Purchase of Agricultural Preservation Easement (PAPE) Program

A. Introduction and Minimum Criteria

The Metropolitan Council Rural Issues Work Group includes establishing a Purchase of Agricultural Preservation Easements (PAPE) program (also referred to as a Purchase of Development Rights [PDR] program) as a policy recommendation for the Permanent Agricultural Area. The Council will establish a minimum set of criteria for design and participation in a PAPE program. The Council will then work with counties to design county-administered programs that meet both the minimum criteria and the needs of that county. Examples of possible criteria include:

1. Farmland eligible for PAPE must be within the defined Permanent Agricultural Area and eligible for the Metropolitan Agricultural Preserves Program
2. The county must provide at least a 50% match to purchase funds provided by the Council
3. Purchased easements must be permanent

B. Preferred Scenario

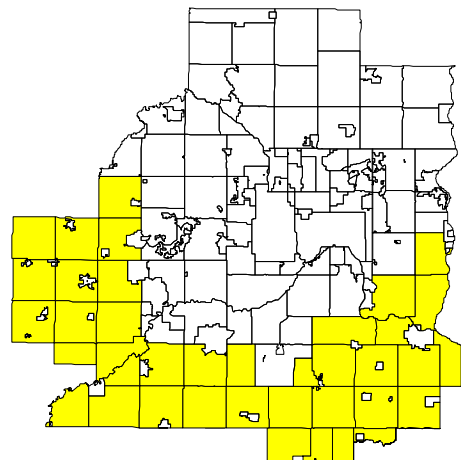
The Rural Issues Work Group considered two possible alternative implementation scenarios for a PAPE program. The alternatives included target locations, estimated program costs, and possible program administrative design. The remainder of this Appendix describes the implementation scenario preferred by the work group to meet the objectives for the Permanent Agricultural Area. The information provides a starting point for the development of a regional program. Final program design will be based on the minimum criteria and county preferences.

An essential element of a successful PAPE program is a targeted acquisition strategy. The goals of such a strategy include:

1. Creating a barrier of preserved farmland to limit the spread of development into the countryside; and
2. Creating large contiguous blocks of preserved farmland to protect a critical mass of farms and farmland that will help keep farm support businesses profitable and thus support agriculture as an industry.

The following PAPE program scenario was discussed by the Rural Issues Work Group for a PAPE program to achieve the goals listed above.

The figure to the right presents a conceptual map of townships with large areas of land eligible for enrollment in the Metropolitan Agricultural Preserves Program (referred to as “MAP certified”). These areas are targeted by local governments for long-term agriculture. Eligibility for the Agricultural Preserves Program is a minimum criteria for PAPE programs. The townships highlighted on the map formed the basis for our cost estimates. The figure contains about 490,000 acres of MAP program certified land.



3. Acreage and Cost Estimates

Farmland preservation programs across the country have proven that when a county preserves at least 20,000 acres, the county is able to influence the location of development away from agricultural areas. Five counties in the metropolitan area (Carver, Scott, Dakota Hennepin and Washington counties) have townships with significant areas of MAP certified lands. A target of 100,000 acres across the five counties was used for initial program cost estimates for comparing scenarios. After reviewing the two scenarios, the Rural Issues Work Group recommended targeting a higher number of acres, possibly 200,000, for the preferred scenario. A higher number of acres will provide a wider area of protection further reducing development.

Cost estimates in this document assume the following acreages in the five counties:

35,000 acres in Carver County
 35,000 acres in Dakota County
 10,000 acres in Hennepin County
 15,000 acres in Scott County
 5,000 acres in Washington County
TOTAL 100,000 acres

The cost of an easement would average about \$1,000 an acre, for a total of \$100.4 million (see Table 1). The “Metro-wide” alternative in Table 1 includes 100,000 acres of agricultural lands more distant from the urban edge and, thus less expensive to purchase and preserve.

Table 1: Assumed County Target Acres and Costs*

County	Target Acres (Thousands)	Expenditure (Millions)
Carver	35	28.4
Dakota	35	22.8
Hennepin	10	24.2
Scott	15	7.4
Washington	5	17.6
Total	100	100.4
Metro-wide alternative	100	52.5

*For discussion purposes. Actual acres target by each county would be determined as counties develop their programs. Source: Steve Taff

In this example funding was split on a 50/50 basis between the Metropolitan Council and each of the five counties. Using the cost estimates from Table 1, county funding would be as follows:

County	County Funding (in millions)
Carver	\$14.2
Dakota	\$11.4
Hennepin	\$12.1
Scott	\$3.7
Washington	\$8.8
Tot:	
Met	
TOTAL PAPE FUNDS	\$100.4

4. Program Design Suggestions

There are many elements to consider in designing a PAPE program. Following are suggested ways for designing a PAPE program in the Permanent Agricultural Area. Final program design will be developed at the county level and program elements may vary from county to county.

Length of program: The PAPE program would be expected to run for 10 to 15 years. Based on experience with other programs, the time involved in acquiring the estimated number of acres will take at least a decade. However with more funding and additional staff time it could take less time.

Staffing: Counties should have the primary responsibility for administering the program. Counties may have to hire staff to administer their respective PAPE programs. The Metropolitan Council should hire a staff person to coordinate the PAPE program. Initially, there will be a need for extensive public outreach and education as well as working with the county governments. Next, the staff person should be responsible for sending checks for easement purchases to the respective counties on a project-by-project basis. Later, monitoring and enforcement of easements will become a major emphasis. County legal staff should be available to respond to legal questions about the PAPE program.

Selection criteria and process: Farmland within the Permanent Agricultural Area should be eligible for preservation, and each county should require a minimum parcel size of 50 acres. Counties should develop an application form, application deadline, and ranking system for applications. Features counties may use to rank applications might include soil quality, gross annual farm income, road frontage, among others.

Easement valuation, payments and negotiation: Counties could choose any of the following easement valuation techniques:

- a. A traditional “before/after” appraisal for determining the value of easements
- b. A points-based appraisal system
- c. A set price per acre for easements

Counties could choose to offer a lump sum payment for an easement, installment payments, annuity payments or other payment options.

Counties should have the responsibility for coordinating appraisals, negotiations with landowners, surveys, closing documentation, and recording the easement document

Monitoring and enforcement of easements: The Metropolitan Council should be a joint holder with the respective county of any easement in which Metropolitan Council funds were used to acquire the easement. Each county and the Metropolitan Council should enter into a Memorandum of Agreement giving the county primary responsibility for the monitoring and enforcement of the easements. The Metropolitan Council should require annual monitoring reports on each farm preserved and should be prepared to assist a county with enforcement in a legal dispute.

Program reporting and evaluation: Counties should provide the Metropolitan Council with an annual report of PAPE program progress, including the number of easements settled, acres preserved, cost of acres preserved, and location. The Metropolitan Council should hold an annual meeting with the PAPE administrators to discuss issues and concerns relating to the program.



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

**“Green Acres” and
Agricultural Land
Preservation Programs**

FEBRUARY 2008

PROGRAM EVALUATION DIVISION
Centennial Building – Suite 140
658 Cedar Street – St. Paul, MN 55155
Telephone: 651-296-4708 • Fax: 651-296-4712
E-mail: auditor@state.mn.us • Web Site: <http://www.auditor.leg.state.mn.us>
Through Minnesota Relay: 1-800-627-3529 or 7-1-1

Program Evaluation Division

The Program Evaluation Division was created within the Office of the Legislative Auditor (OLA) in 1975. The division's mission, as set forth in law, is to determine the degree to which state agencies and programs are accomplishing their goals and objectives and utilizing resources efficiently.

Topics for evaluations are approved by the Legislative Audit Commission (LAC), which has equal representation from the House and Senate and the two major political parties. However, evaluations by the office are independently researched by the Legislative Auditor's professional staff, and reports are issued without prior review by the commission or any other legislators. Findings, conclusions, and recommendations do not necessarily reflect the views of the LAC or any of its members.

A list of recent evaluations is on the last page of this report. A more complete list is available at OLA's web site (www.auditor.leg.state.mn.us), as are copies of evaluation reports.

The Office of the Legislative Auditor also includes a Financial Audit Division, which annually conducts an audit of the state's financial statements, an audit of federal funds administered by the state, and approximately 40 audits of individual state agencies, boards, and commissions. The division also investigates allegations of improper actions by state officials and employees.

Evaluation Staff

James Nobles, *Legislative Auditor*

Joel Alter
Valerie Bombach
David Chein
Christina Connelly
Jody Hauer
Daniel Jacobson
David Kirchner
Carrie Meyerhoff
Deborah Parker Junod
Katie Piehl
Judith Randall
Jo Vos
John Yunker

To obtain a copy of this document in an accessible format (electronic ASCII text, Braille, large print, or audio) please call 651-296-4708. People with hearing or speech disabilities may call us through Minnesota Relay by dialing 7-1-1 or 1-800-627-3529.

All OLA reports are available at our web site:
<http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us



Printed on Recycled Paper



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

February 2008

Members of the Legislative Audit Commission:

We evaluated three of Minnesota's programs that provide tax advantages to agricultural land—the "Green Acres" Program and two agricultural land preservation programs. This report presents the results of our evaluation of these programs.

We found that the Green Acres Program substantially reduces the variation in taxable value between farmland with value added by nonagricultural factors and that without. Nevertheless, it is not effective at preserving farmland, and the Legislature should reconsider who and what types of land should benefit from the program.

We found that the state's agricultural land preservation programs can help to slow the rate of development, but they do not adequately assure long-term preservation of farmland. If the state wants to preserve farmland for the long term, it will need to adopt other approaches.

This report was researched and written by Jody Hauer (project manager) and Dan Jacobson.

Sincerely,

James Nobles
Legislative Auditor

Table of Contents

	<u>Page</u>
SUMMARY	ix
INTRODUCTION	1
1. BACKGROUND	3
Farmland Acreage	4
“Green Acres” Program	5
Programs for Preserving Agricultural Land	13
Amount of Property Tax Benefits	22
Other Mechanisms to Preserve Agricultural Land	25
Programs in Other States	26
2. “GREEN ACRES” PROGRAM	29
Effectiveness of Green Acres	30
Beneficiaries of the Program	35
Eligibility Criteria	39
Implementing and Administering Green Acres	43
3. PROGRAMS TO PRESERVE AGRICULTURAL LAND	53
Effectiveness of the Land Preservation Programs	54
Conservation Account Revenues	63
4. DISCUSSION	67
LIST OF RECOMMENDATIONS	69
AGENCY RESPONSES	71
RECENT PROGRAM EVALUATIONS	75

List of Tables and Figures

<u>Tables</u>	<u>Page</u>
1.1 Eligibility Criteria for Green Acres Program, 2007	9
1.2 Trends in Green Acres Program Enrollment, for Property Assessed in 1999-2007	10
1.3 Activities on Which Counties May Spend Conservation Account Dollars	17
1.4 Comparisons Among the Agricultural Land Preservation Programs and Green Acres Program, 2007	18
1.5 Farmland Enrollment in the Agricultural Land Preservation Programs, 2007	20
1.6 Amount of Property Tax Benefits Provided by the Green Acres and Agricultural Land Preservation Programs, 2007	22
1.7 Features of Agricultural Land Protection Programs in Select States, 2007	27
2.1 Impact of the Green Acres Program on Farmland Valuations, 2007	32
2.2 Questionable Outcomes of Green Acres Program Eligibility Requirements	36
2.3 Difficulties in Verifying That Applicants Meet Income Criterion for Green Acres Program	40
2.4 Counties' Methods for Verifying Agricultural Income Reported on Green Acres Applications, 2007	46
2.5 County Efforts to Inform Landowners about Green Acres Program, by Rate of Acres Enrolled, 2007	48
3.1 Farmland Loss in Counties with Land Enrolled in Agricultural Land Preservation Programs and in the Rest of the State, 1982-1997	56
3.2 Land Enrolled in Agricultural Land Preservation Programs, from Peak Enrollment to 2007	58
3.3 Farmland Acres Expired from Agricultural Preserves, by County, 2007	61
3.4 County Conservation Accounts, 2006	64

Figures

1.1 Percentage of Land Classified as Agricultural, 2007	5
1.2 Percentage of Farmland Lost, 1982-1997	6
1.3 Percentage of Farmland Enrolled in Green Acres Program, for Properties Assessed in 2007	11
1.4 Distribution of Revenues from \$5 Fee on Mortgage and Deed Transactions	16

1.5	Estimated Impact of the Green Acres and Metropolitan Agricultural Preserves Programs on Residential Homestead Property Taxes	24
2.1	Reasons for Not Implementing Green Acres Program, as Reported by Assessors, 2007	44
2.2	Counties’ Practices Regarding Green Acres Eligibility of Parcels Owned by Multiple Owners, 2007	47

Summary

Together, Minnesota's agricultural land protection programs, which cost about \$40 million in 2007, are generally effective at equalizing taxes, but they do not effectively preserve farmland for the long term.

Major Findings:

- The Green Acres Program effectively equalizes taxes for many agricultural landowners but does not help all who could be eligible. The program's effect on preserving farmland is short term and tenuous (p. 30).
- It is unclear whether the Green Acres Program's goals include benefiting some owners and types of land, such as untillable land used mostly for hunting (p. 35).
- Certain Green Acres Program eligibility criteria, including the income threshold and definition of land that is "primarily" agricultural, are outdated, difficult to implement fairly, or create inequities (p. 39).
- Not all counties that could have implemented the Green Acres Program have done so, and administration of the program is inconsistent. Recent Department of Revenue actions will help but can be improved (p. 43).
- The Metropolitan Agricultural Preserves Program and the Agricultural Land Preservation Program in Greater Minnesota can help control the shape and pace of development but are not adequate to preserve farmland for the long term (p. 54).
- In a few cases, counties have spent money raised through the farmland preservation programs on natural resource conservation projects that may not meet a strict

interpretation of state statutes, but additional oversight is necessary only if the Legislature wants to further restrict the spending (p. 63).

Recommendations:

- The Legislature should clarify who and what types of properties should benefit from the Green Acres Program (p. 38).
- The Legislature should replace the minimum income criterion in the Green Acres Program with more specific language to help define land that is "primarily" agricultural (p. 42).
- The Department of Revenue should continue efforts to make the Green Acres Program more consistent statewide but also make some changes, such as to its method for valuing nontillable land in the program (p. 50).
- If Minnesota wishes to preserve lands for agricultural uses over the long term, the Legislature should consider supplementing existing programs with other strategies. It should also improve current programs by specifying who has authority to enforce them (p. 62).
- The Legislature should determine whether spending program revenues on natural resource projects other than agricultural land preservation and soil conservation is unacceptable, and if so, it should specify in law the unallowable activities (p. 65).

Report Summary

More than three decades ago, Minnesota adopted programs to protect agricultural land. The Agricultural Property Tax Law, known as “Green Acres,” reduces taxes on certain agricultural land. The Metropolitan Agricultural Preserves Act for the seven-county metropolitan area and the Agricultural Land Preservation Program for Greater Minnesota were intended to protect farmland for long-term agricultural uses.

Overall, we estimate these three programs reduced property taxes for enrolled landowners in 2007 by \$40 million. Nearby property owners not in the programs make up most of this by paying somewhat more in taxes than they otherwise would.

Minnesota has 29.5 million acres of land classified as agricultural, which is 58 percent of the state’s total land area. But it has gradually lost farmland, with a 2 percent loss between 1982 and 1997.

Land qualifies for the Green Acres Program only if nonagricultural factors (such as development pressures) are adding to its value. The program reduces property taxes by lowering the taxable value of eligible land, and it defers the payment of special assessments. About 13 percent of the state’s farmland is enrolled. If land becomes ineligible, landowners must pay back the tax break from the most recent three years and all of the deferred special assessments. Tax deferrals from earlier years, however, are a permanent tax break.

Land enrolled in the Metropolitan Agricultural Preserves Program also

enjoys a lower taxable value. In addition, owners receive a tax credit of about \$1.50 per acre, do not pay special assessments, and receive protections from annexation and local ordinances that might interfere with normal farming practices. However, only land in areas designated for long-term agricultural use is eligible. Owners must agree to a covenant on their land’s title, restricting use to agriculture, and the restrictions remain in place for eight years after notice is filed to terminate the agricultural preserve. About 25 percent of farmland in the metropolitan area is enrolled.

In Greater Minnesota, the farmland preservation program operates in Waseca, Winona, and Wright counties, where enrollment is 33, 13, and 3 percent of farmland, respectively. Enrolled landowners receive many of the same benefits described for the program in the metropolitan area, except the land’s taxable value is not lowered and property taxes are not deferred.

The Green Acres Program equalizes taxes for many agricultural landowners but does not help all who may be eligible, and it does not preserve farmland for the long term.

The Green Acres Program substantially reduces the variation in taxable value between farmland with value added by nonagricultural factors and that without. As an example, for enrolled farmland in the Twin Cities area, the program substituted an average agricultural-use value of \$3,600 per acre for the average estimated market value of \$13,800 in 2007. But not everyone who is potentially eligible receives benefits. Assessors have not

The Green Acres Program reduces the taxable value of qualifying farmland.

It is important to review the types of lands that benefit from the Green Acres Program because benefits have grown, and the program shifts more taxes onto land not in the program.

implemented the Green Acres Program in all areas where it could be used, and some landowners fail to apply or are not made aware of the program.

The Green Acres Program's effects on preserving farmland are of short duration. Landowners need not make any long-term commitments to the land. Especially in areas with development pressures, the amount of the tax benefit from the program, and the penalty of paying back three years worth of deferred taxes, are typically small relative to the financial gain of selling the land. Plus, the program is not targeted to farmland free of nearby land-use conflicts or land at threat of imminent development.

It is unclear whether the Green Acres Program's goals include benefiting certain landowners and land types that receive benefits.

Among beneficiaries of the Green Acres Program are people who are not farmers, land with only a small proportion of productive acres, farmland with increased values due to recreational demands, and minimal acreages used largely for hobby farm purposes. The law does not prohibit this, but in light of the sizable tax advantages provided by the program, it is appropriate to ask whether these beneficiaries should receive the benefits that come at the expense of other taxpayers not in the program. The Legislature should clarify the types of land to benefit.

Certain eligibility criteria for the Green Acres Program are outdated, difficult to implement fairly, or create inequities.

The program's income criterion has remained the same since 1969, and it does not filter out all minimal agricultural-production incomes. At the same time, the low threshold allows certain farmers, such as those on retirement incomes, to be eligible. Verifying applicants' incomes is difficult because landowners are reluctant to divulge personal financial data, not all file the income tax schedules used for verification, and assessors lack authority to verify private data.

Property-tax classification statutes list types of agricultural products for defining agricultural land but do not specify how much of a commodity is sufficient to qualify. Therefore, decisions regarding how many chickens on ten acres of land qualify as agricultural, for instance, are subjective. Furthermore, especially for small parcels, assessors have to determine whether the land is "primarily devoted to agricultural use," which is not defined in statute.

The Legislature should replace the minimum income criterion with more specifics for classifying farmland and defining "primarily" agricultural. Additional specificity would clarify for taxpayers and assessors what is and is not allowed.

Implementation and administration of the Green Acres Program has been inconsistent. Department of Revenue efforts to improve consistency will help but can be improved.

As of 2007, 35 counties had not implemented the Green Acres Program. Because some of those counties have nonagricultural factors influencing the value of farmland, certain landowners there are not

Land enrolled in the state’s two farmland preservation programs peaked in 1998, and enrollments have been declining ever since.

receiving the tax benefits to which the law entitles them. In counties with land enrolled, assessors use different methods for deciding the primary use of the land, informing landowners about the program, and determining eligibility in special cases, such as when a parcel has multiple owners. Because these methods determine who receives the tax advantages and who is ineligible, consistency is important.

The Department of Revenue released a bulletin in October 2007 with a new statewide method for determining the low value of Green Acres parcels. To improve consistency among counties, the bulletin provides guidance to assessors on several matters, such as determining whether small properties qualify. The department should continue these efforts but should also make some changes, such as to its method for valuing nontillable Green Acres land.

Minnesota’s two agricultural land preservation programs can shape development and slow its pace but are not adequate to preserve farmland for the long term.

Many counties and municipalities with land enrolled in one of the two preservation programs view them as an integral support for their local land policies. In their view, the programs help stage development, give farmers an incentive to continue farming, and prevent annexation that converts farmland to other uses.

At the same time, local government representatives generally believed that even without the tax incentives, their counties would not have developed much differently. The programs’ effect on preserving

farmland is limited in part because only 25 percent of farm acres in the Twin Cities area and under 1 percent in Greater Minnesota are enrolled.

Since 1998 when enrollment in the two farmland preservation programs peaked, enrolled acres dropped 10 percent in the Twin Cities area and between 1 and 20 percent in Waseca, Winona, and Wright counties. Even in Carver County, which arguably has the strongest preservation program, 16 percent of acres once in agricultural preserves have expired since peak enrollment in 1998.

The financial benefits of the preservation programs are typically small relative to financial gains from selling the land. In the last ten years, the market value of farmland in the Twin Cities increased by an average of \$8,100 per acre, which reduces the incentive to retain the land for agricultural uses.

No state or local agency has enforcement authority over land in agricultural preserves. In a small number of cases, land was converted to other uses without waiting for the eight-year period required in law.

If the Legislature wishes to preserve agricultural land for the long term, it should consider supplementing existing programs with new approaches, but the options carry high costs. The Legislature should improve the existing laws by specifying who is to enforce them.

Money raised in the preservation programs has been largely spent on natural resource conservation, but some projects may not meet a strict interpretation of the law. Additional oversight is necessary only if the Legislature wants to further restrict the spending.

If Minnesota wants long-term preservation of agricultural lands, it must take new approaches, but they would be costly.

Introduction

Minnesota has three primary state programs intended to protect agricultural lands. One is known as the “Green Acres” Program, and it lowers the taxable value of qualifying farmland. It has drawn recent legislative attention because it is available in only some, not all, counties, and there were indications that it was administered inconsistently. The other two programs are designed specifically to preserve farmland and prevent it from being used for other purposes. One is the Metropolitan Agricultural Preserves Act, which applies to the seven-county metropolitan area. The second is the Agricultural Land Preservation Program, which is for Greater Minnesota.¹

In April 2007, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate the Green Acres Program and the two agricultural land preservation programs. Our evaluation addresses the following questions:

- **What are the Green Acres Program and the programs for preserving agricultural land, and what are their differences?**
- **How much in property tax benefits do program participants receive, and how do the programs affect property taxes paid by nonparticipants?**
- **How effective are the programs?**
- **Who benefits from the Green Acres Program, and how appropriate are the program’s eligibility criteria?**
- **How have the dollars raised as part of the agricultural land preservation programs been spent, and who oversees that spending?**

To answer the questions, we reviewed reports and state laws on the programs. We analyzed data from the Department of Revenue’s property tax records and the U.S. Department of Agriculture. We interviewed staff from state agencies and surveyed or interviewed most county assessors around the state. We reviewed program applications in six counties and spoke with a small number of landowners who either were already enrolled or wanted to apply. With data and staff from the Minnesota House of Representatives Research Department, we analyzed how the Green Acres and Metropolitan Agricultural Preserves programs affect property taxes. We interviewed a sample of local planning directors and

¹ Throughout this report, we refer to the Agricultural Land Preservation Program in “Greater Minnesota,” which comprises the 80 counties beyond the seven-county Twin Cities metropolitan area, even though the statutes do not use this terminology.

heads of organizations that oversee the spending of revenues raised in connection with the land preservation programs. In addition, we researched national literature and other states' programs on preserving agricultural land.

Although the Minnesota departments of Agriculture and Revenue are involved with the programs, we did not directly evaluate their performance. Nor did we survey the landowners who participate in the land protection programs, although we interviewed a small, nonrepresentative sample of them. We gathered information from county assessors, but we did not examine the consequences of their different practices for assessing the value of agricultural properties.

This report's first chapter provides background information on the Green Acres Program and the two agricultural land preservation programs. It also offers a brief description of other types of farmland protection programs. Chapter 2 evaluates the effectiveness of the Green Acres Program. Chapter 3 evaluates the effectiveness of Minnesota's farmland preservation programs and reviews how revenues associated with those programs are spent. Chapter 4 provides a brief overview discussion of the programs as a whole.

Background

SUMMARY

Minnesota has 29.5 million acres of agricultural land as of 2007, but it lost 2 percent of its farmland between 1982 and 1997, and data suggest additional losses since then, although the precise amount is not known. The state's "Green Acres" Program defers special assessments and reduces property taxes for agricultural landowners who meet the law's requirements on income, ownership, and land use and size. The Green Acres Program applies only where nonagricultural factors add higher value to farmland prices. It lowers property taxes by basing properties' taxable value on their agricultural use instead of "highest and best" use. Since 2000, acreage enrolled in the Green Acres Program has tripled to 3.7 million acres, due to growth in Greater Minnesota. Minnesota also has two separate but similar state programs specifically to preserve agricultural land. One program is in the Twin Cities metropolitan area, where six of seven counties have land enrolled, and the second is in Greater Minnesota, where three counties have land in the program. As of 2007, about 315,000 acres, or 1 percent of the state's farmland, were enrolled. Due to the three programs, agricultural landowners' property taxes for 2007 were reduced by about \$40 million, and surrounding property owners make up most of that by paying somewhat more property tax than they otherwise would.

Minnesota's property tax system targets certain programs to agricultural lands. One is Minnesota's so-called "Green Acres" Program, structured to equalize tax burdens for qualifying agricultural landowners. Two others are land preservation programs designed to retain agricultural land that might otherwise be converted to other uses. This chapter provides an overview of the Green Acres Program and the state's two programs for preserving farmland. Specifically, this chapter answers the following questions:

- How much farmland is in Minnesota, and how has this changed over time?
- What is the Green Acres Program, and how do landowners qualify for it?
- What are Minnesota's programs for preserving agricultural land? What are the differences between them?
- How much in property tax benefits do program participants receive, and how do the programs affect property taxes paid by nonparticipants?
- What other mechanisms to preserve farmland are available in Minnesota?
- What farmland preservation programs are in other states?

To answer these questions, we examined data on farmland from various sources including the Department of Revenue’s property tax records and the U.S. Department of Agriculture’s National Resources Inventory. We analyzed trend data on acreage enrolled in Green Acres and values of agricultural land. Also, with help from the Minnesota House of Representatives Research Department, we estimated how the Green Acres and Metropolitan Agricultural Preserves programs affect property taxes. We reviewed state statutes and studied relevant documents from the Department of Revenue, and we interviewed department staff. In addition, we researched national literature and other states’ programs on preserving agricultural lands.

FARMLAND ACREAGE

In 2007, Minnesota’s county assessors classified about 29.5 million acres of land as agricultural, or about 58 percent of Minnesota’s total land area.¹ This farmland includes land used to plant crops, pasture land for grazing animals, and other land that is not used for agricultural production (such as woodland and wasteland), if it is part of a farm with at least ten acres in agricultural production.

About 58 percent of Minnesota’s total land area is classified as agricultural property.

Although the percentage of land classified as agricultural varies widely among counties, most Minnesota counties have most of their land in farms. In 2007, 68 counties classified at least 50 percent of their land as agricultural, especially counties in southern, western, and northwestern Minnesota, as shown in Figure 1.1. Thirty-five counties classified 90 percent or more of their land as agricultural.

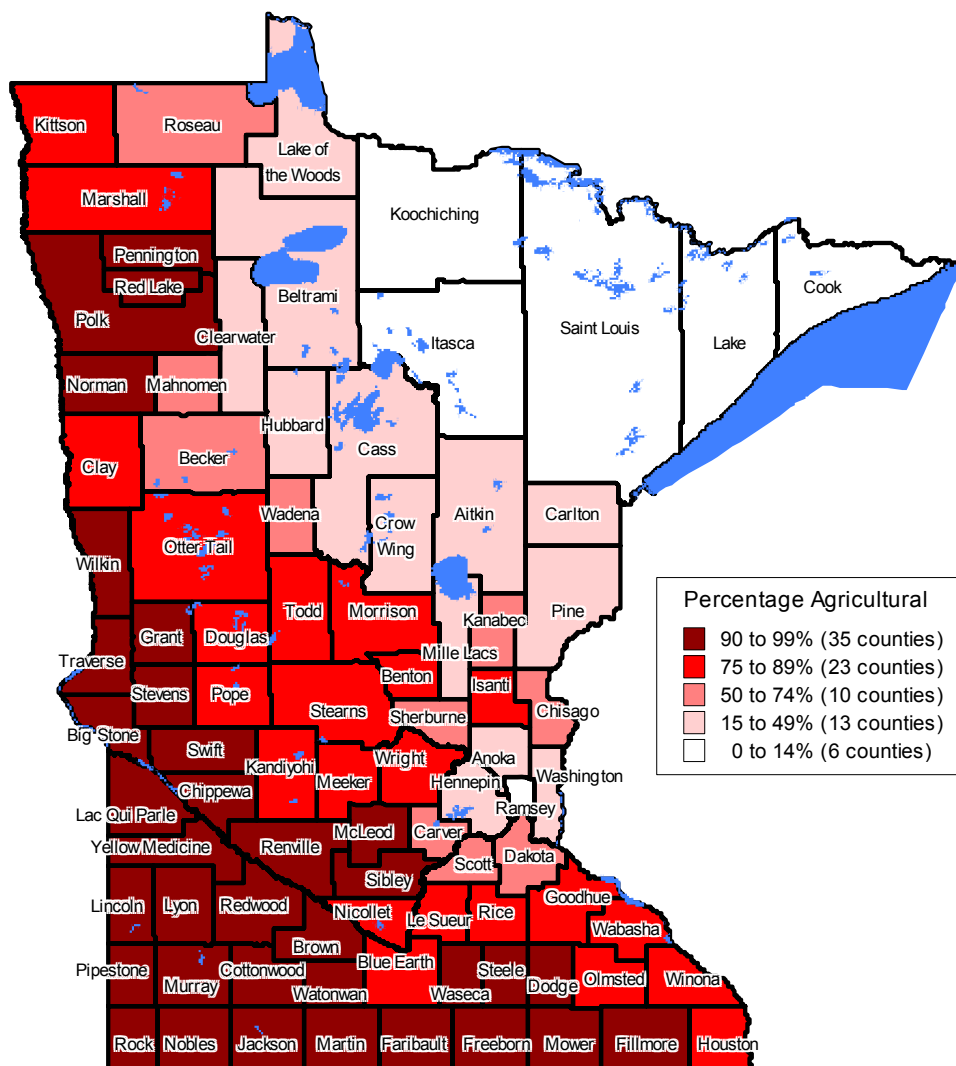
Minnesota has been gradually losing farmland over the past 25 years. Between 1982 and 1997, Minnesota lost about 500,000 acres of farmland, a decline of about 2 percent, according to the U.S. Department of Agriculture’s National Resources Inventory data. The Department of Revenue’s property tax records and the U.S. Census of Agriculture both indicate that farmland loss continued after 1997, but their loss estimates differ and neither measures the state’s farmland loss as reliably as the National Resources Inventory data.

Between 1982 and 1997, counties in the Twin Cities metropolitan area have lost farmland more rapidly than the rest of the state, as shown in Figure 1.2. The seven-county Twin Cities metropolitan area lost about 18 percent of its farmland; Greater Minnesota lost about 1 percent.² In the next sections, we describe Minnesota’s farmland protection programs.

¹ Based on a more restrictive definition of farmland, the U.S. Department of Agriculture’s Census of Agriculture estimated that Minnesota had 27.5 million acres of farmland in 2002. We used property tax data on farmland here because they are the most recent data available.

² Other data sources, including the Department of Revenue’s property tax assessment data and the U.S. Census of Agriculture, show similar patterns between 1982 and 1997, although their rate of decline was larger.

Figure 1.1: Percentage of Land Classified as Agricultural, 2007

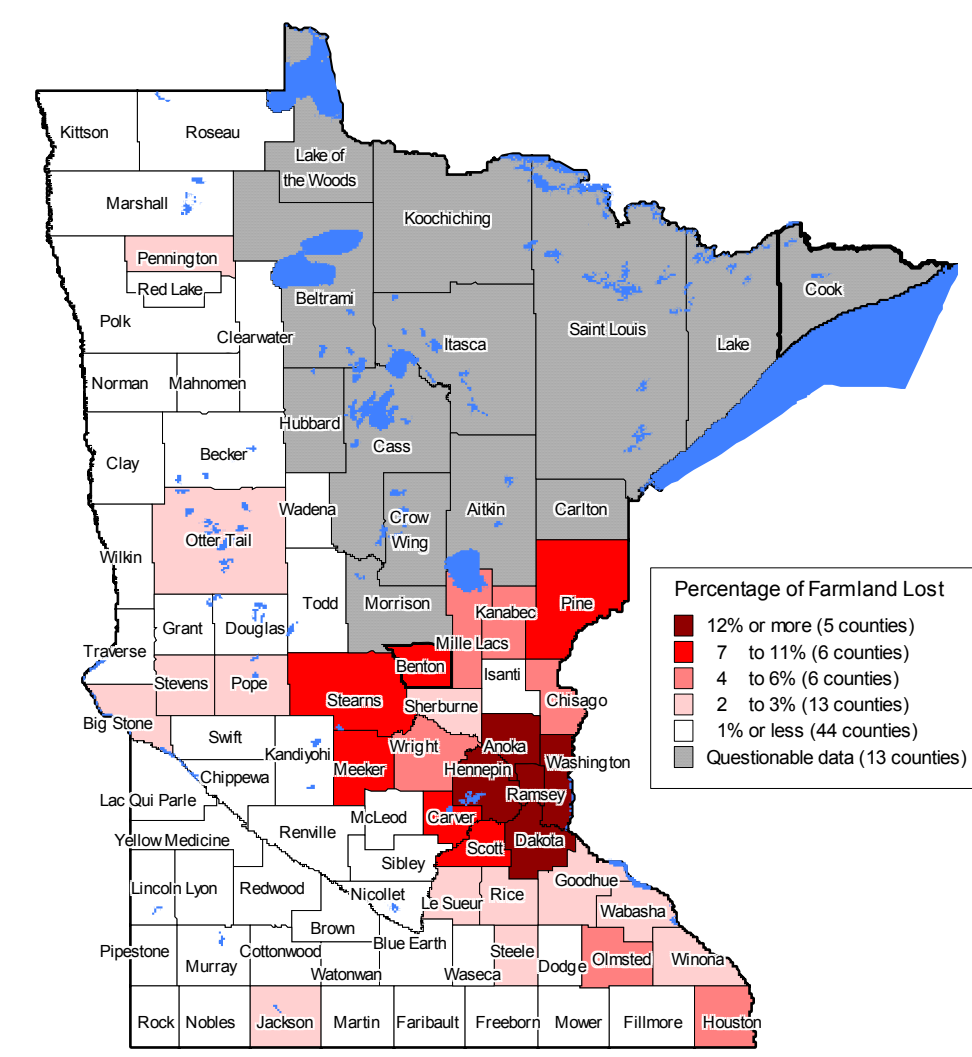


SOURCE: Office of the Legislative Auditor, analysis of data from the Department of Revenue's 2007 Spring Mini Abstract.

“GREEN ACRES” PROGRAM

The Legislature passed the Minnesota Agricultural Property Tax Law, most commonly known as the “Green Acres” Program, in 1967.³ The law lowers taxable values on certain farmland and allows landowners to defer paying special assessments and portions of property taxes. Its benefits apply, however, only where nonagricultural influences (such as development pressures) drive prices

³ *Laws of Minnesota* 1967 Extra Session, chapter 60.



NOTE: Actual farmland losses for individual counties may differ from data shown because the National Resources Inventory data lack precision at the county level, particularly for the counties shaded in gray. Nevertheless, the data are useful for "big picture" descriptions.

SOURCE: Office of the Legislative Auditor, analysis of data from the National Resources Inventory compiled by the U.S. Department of Agriculture's Natural Resources Conservation Service.

for agricultural land higher than if the land were sold exclusively for agricultural uses.

Tax Advantages

For lands enrolled in the Green Acres Program, assessors determine two values but use the lower value to calculate the taxes due any given tax year. One value is based solely on the land's use for agricultural purposes, and it is the lower of

the two values. To determine this lower value, the law instructs assessors to consider sales of agricultural lands outside the seven-county metropolitan area and compare land of similar soil types and other agricultural characteristics.⁴ Furthermore, assessors are to avoid considering additions to the land's value from nonagricultural factors, such as increases due to a buyer's interest in developing the land for a retail complex.

The second of the two values is a market value, based on the usual selling price of farmland in an open market during arm's length transactions between willing buyers and sellers. This second value is a higher value because it reflects buyers' willingness to pay more for the property than it is worth as agricultural land. Farm properties free of influences from nonagricultural factors are already assessed at the low value based purely on those lands' agricultural uses and, consequently, are not enrolled in the Green Acres Program.

Landowner Benefits

Green Acres landowners pay less in property taxes, and other properties in the jurisdiction typically pay more to make up the difference.

In general, Green Acres property owners will owe less in property taxes, and the remaining properties in the taxing jurisdiction will bear slightly higher tax burdens to make up the difference. For an individual landowner enrolled in Green Acres, the tax benefit can be significant. The greater the difference between the low and high values of the property, the larger the tax reduction for the owner. As an example, one owner of 76 agricultural acres in a central Dakota County township owed property taxes of \$422 in 2007, 46 percent less than the \$778 he would have owed if not enrolled in Green Acres. Land located near more developed areas realize even greater equalization benefits. For instance, a landowner of 33 agricultural acres across from a housing development in the city of Rosemount owed \$624 in 2007 property taxes, 94 percent less than the \$10,128 he would have owed if the land were not in the program.

The size of the tax increase for other property taxpayers will also vary depending on an area's mix of land types. If farmland makes up a small proportion of the overall tax base, the shift in tax burden will be small when apportioned over remaining landowners. On the other hand, if farmland enrolled in Green Acres makes up a large segment of the area's tax base, and there is a large difference between the farmland's market value and its Green Acres low value, the remaining landowners will bear a large tax burden to cover the amount that is deferred for Green Acres landowners. Later in this chapter, we examine how the Green Acres Program affects property taxes of participating and nonparticipating landowners.

When land no longer qualifies for the Green Acres Program, three years worth of tax reductions come due.

More specifically, as long as land remains enrolled, the Green Acres Program defers a portion of the property taxes and all special assessments that may have been charged (such as for road improvements). Once the land no longer qualifies, the taxes deferred for the current year and prior two years come due, as do all of the deferred special assessments plus interest. Taxes deferred earlier than the most recent three years, however, become a permanent tax break.

⁴ *Minnesota Statutes* 2007, 273.111, subd. 4.

Should Green Acres land be sold to new owners who apply within 30 days of the sale and who are eligible for the program, the taxes and special assessments continue to be deferred.⁵

Eligibility

Not all agricultural land qualifies for Green Acres Program benefits. Landowners must apply for the program, and assessors determine who is eligible. Eligibility depends on meeting statutory criteria regarding ownership of the land, income from the property, and land size and use. Table 1.1 lists the criteria. When landowners have less desirable agricultural lands, such as slough, wasteland, and woodland, that are near to or surrounded by land that qualifies for the Green Acres Program, that less desirable land is also entitled to Green Acres benefits.⁶

County Participation and Farmland Enrollment

Originally, the Green Acres Program predominated in the Twin Cities area, but now 51 counties have land enrolled.

Since the Green Acres Program was established in the late 1960s, it has changed from a program concentrated in the Twin Cities area to a program covering 51 counties across the state. In 1970, five counties in the seven-county Twin Cities metropolitan area used the Green Acres program.⁷ By 1977, 16 counties participated, including all the counties in the seven-county metropolitan area, 4 fast-growing counties just to the north of the metropolitan area (Chisago, Isanti, Sherburne, and Wright Counties), and Rice County, which is on the southern edge of the metropolitan area. Participation expanded to 23 counties for properties assessed in 1990, 36 counties in 2000, and 51 counties in 2007.

While some counties from Greater Minnesota have participated in Green Acres for decades, little farmland from Greater Minnesota was enrolled in Green Acres until after 2000. Prior to 2000, enrollment was concentrated in the Twin Cities metropolitan area and the four counties on its northern border. For properties assessed in 1999, these 11 counties enrolled nearly 1.2 million acres in Green Acres, compared with 81,000 for the remaining 76 counties in Greater Minnesota, as shown in Table 1.2. But after 2000, enrollment in these 76 counties increased more than 30-fold, reaching 2.7 million acres for properties assessed in 2007. Because of this rapid growth in Greater Minnesota, statewide enrollment tripled between 1999 and 2007, reaching 3.7 million acres. Unlike Greater Minnesota, enrollment in the Twin Cities area declined slightly both during the 1990s and after 2000.

⁵ New owners who do not want a continued deferral of special assessments would have to arrange repayment by the seller at the time of purchase.

⁶ *Minnesota Statutes* 2007, 273.111, subd. 6(2).

⁷ A March 10, 1977, Department of Revenue memorandum to the Commissioner of Revenue indicates that Blue Earth County may have used the program since 1970, although the Blue Earth County Assessor could verify enrollment back to only 1974.

Eligibility for the Green Acres Program depends on land ownership, income from the land, and land size and use.

Table 1.1: Eligibility Criteria for Green Acres Program, 2007

Ownership	Income	Land Size and Usage
One of the following four conditions must apply:	One of the following must be met:	Land must be all of the following:
<ul style="list-style-type: none"> Owner (or owner's spouse, child, or sibling) homesteads the land; or Owner (or owner's spouse, parent, or sibling) must have owned the land for at least seven years, or the land is farmed along with qualifying land that is within four townships or cities away; or Land is the homestead of a shareholder in a family farm corporation; or Land is owned by a nursery or greenhouse 	<ul style="list-style-type: none"> At least 1/3 of owner's total family income comes from the land, or Total production income from the land (including rental charges) is at least \$300 plus \$10 per tillable acre <p>Plus, the property must be devoted to the production for sale of agricultural products^a</p>	<ul style="list-style-type: none"> Classified as agricultural property At least 10 acres in size or a nursery or greenhouse Primarily devoted to agricultural use
Plus, owner must be either a:		
<ul style="list-style-type: none"> Noncorporate entity, Family farm operation, or Corporation deriving at least 80 percent of gross receipts from sale of horticultural or nursery stock. 		

NOTES: Landowners must meet criteria on ownership, income, and land size and usage, but within the ownership and income criteria, any one of multiple standards may be met. Slough, wasteland, and woodland contiguous to qualifying land and under the same ownership are also eligible.

^a Agricultural products are defined in [Minnesota Statutes](#) 2007, 273.13, subd. 23(e), and include: livestock, dairy products, poultry, horticultural and nursery stock, fruit, vegetables, forage, grains, bees, fish bred for sale, maple syrup collected by licensed processors, and trees grown as a crop but not sold for timber or wood products.

SOURCES: [Minnesota Statutes](#) 2007, 273.111, subd. 3 and 6.

Table 1.2: Trends in Green Acres Program Enrollment, for Property Assessed in 1999-2007

	Enrollment (in acres)		Percentage of Farmland Enrolled	
	1999	2007	1999	2007
Twin Cities seven-county metro area	396,259	342,034	48%	47%
Four fast-growing counties north of the metro area (Chisago, Isanti, Sherburne, and Wright)	759,145	671,270	80	77
Other 76 counties	81,067	2,714,284	0.3	10
State Total	1,236,471	3,727,588	4%	13%

NOTE: Land is enrolled in the program at least one year prior to when taxes are paid; for instance, enrollment occurred in 2007 or earlier years for taxes to be paid in 2008.

SOURCE: Office of the Legislative Auditor, analysis of data from the [Land Economics database](#) maintained by the University of Minnesota, Department of Applied Economics.

**Green Acres
enrollment tripled
since 1999, due to
growth in Greater
Minnesota.**

Today, the Green Acres Program is concentrated in 25 counties, which account for 96 percent of the state’s 3.7 million acres enrolled. Statewide, 13 percent of Minnesota’s farmland is enrolled in Green Acres, compared with 47 percent for the 25 counties with the heaviest use.⁸ Figure 1.3 illustrates how the percentage of farmland enrolled in Green Acres varies across the state. Enrollment as a percentage of farmland is highest in the Twin Cities metropolitan area, seven of the nine counties surrounding the metro area, the St. Cloud area, and the state’s southeast corner.

Program Administration

Counties administer the Green Acres Program. County assessors are responsible for accepting applications, determining who qualifies, and assigning values to eligible properties.⁹

Minnesota’s Department of Revenue plays a more limited role. For the Green Acres Program specifically, state law allows the commissioner of revenue to prescribe the application form that interested landowners complete. More generally, the commissioner has authority for general supervision over assessors and the administration of property tax laws so that assessments are just and equal.¹⁰ The commissioner may determine whether assessors are faithfully discharging their duties; deals with complaints of unequal or improper

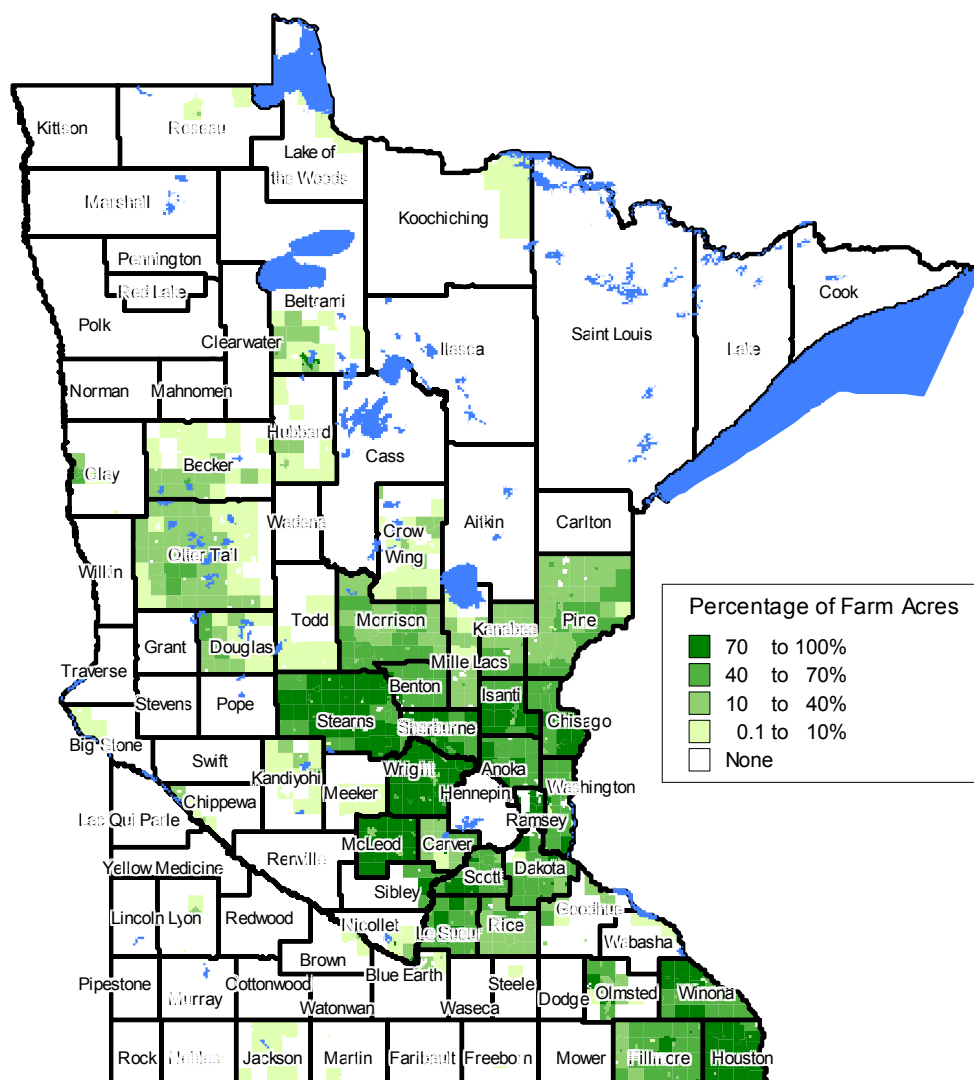
⁸ Among participating counties, 14 counties enrolled less than 1 percent of their farmland in the Green Acres Program.

⁹ [Minnesota Statutes](#) 2007, 273.111, subd. 4, 5, and 8.

¹⁰ [Minnesota Statutes](#) 2007, 270C.85, subd. 1.

assessments; and, with authority as the State Board of Equalization, may change assessment decisions made locally to enforce statewide equalization among property values.¹¹

Figure 1.3: Percentage of Farmland Enrolled in Green Acres Program, for Properties Assessed in 2007



NOTE: Data on farmland by city/township are unavailable for Hennepin County. Data are based on assessment year 2007, for property taxes to be paid in 2008.

SOURCE: Office of the Legislative Auditor, analysis of data from the Department of Revenue's 2007 Spring Mini Abstract.

¹¹ *Minnesota Statutes* 2007, 270C.85, subd. 2(f); 270C.92, subd. 1; and 270.12, subd. 2 and 5. Further, if assessments are found to be grossly unfair or inequitable, the commissioner may appoint a special assessor to conduct a local reassessment. See: *Minnesota Statutes* 2007, 270C.94, subd. 1.

The Department of Revenue includes information on the Green Acres Program in its instruction manuals for assessors and auditors. Over the years, the department has intervened when county assessors or residents had Green Acres issues that could not be resolved locally. The department has issued memos and bulletins on the program and sent letters to clarify questions that the law itself did not fully answer. As an example, a taxpayer, who for several years had paid special assessments on his land, recently enrolled in the Green Acres Program, and questions arose over whether the special assessments, passed years earlier, were to be deferred. The department advised the assessor that newly enrolled land could indeed have the existing special assessments deferred but suggested contacting the landowner about the desirability of doing so because the deferment plus interest may have to be paid back when the land is sold or no longer qualifies for Green Acres. Such department communications are made available as resources to other county assessors who may face similar situations.

Recent Changes

A 2006 Department of Revenue report on the Green Acres Program highlighted a need to reexamine what types of land should qualify.

In response to a 2005 legislative requirement, the Department of Revenue released a 2006 report on the Green Acres Program.¹² The report, based on work by a committee including department officials and county assessors, raised several issues about the Green Acres Program, such as under what circumstances the program should be implemented and how assessors should set the low value for Green Acres land.

Among the issues were several that the report recommended the Legislature resolve. A number dealt with the legislative intent behind the law, which the report said has become less clear since it passed in 1967. The Legislature was asked to clarify whether the program was intended to equalize the value of agricultural land on a statewide basis, which would pose difficulties because comparable data on the quality of agricultural land are not available for each county. Tied to this is a question of whether the program is intended to preserve agricultural land exposed to urban development or, instead, to solely equalize tax burdens, as is explicitly expressed in statutes.¹³ Second, the report requests legislative review of statutory minimums on acreage and income, which have allowed small hobby farms to qualify for the Green Acres Program. Finally, it suggests the Legislature consider the appropriateness of some assessors' practice of splitting a property's tax classification when the land is used for multiple purposes, such as for a residence and a farm. Although the 2007 Legislature passed a tax bill containing changes to the Green Acres Program, the Governor vetoed the bill.¹⁴

¹² Minnesota Department of Revenue, *Assessment and Classification Practices Report: Agricultural Land Including Land Enrolled in the Green Acres Program* (St. Paul, April 2006).

¹³ *Minnesota Statutes* 2007, 473.211, subd. 2, says the “public interest would best be served by equalizing tax burdens upon agricultural property....”

¹⁴ Minnesota Legislature 2007, *Senate File 1024, 2nd Engrossment*, art. 5, sec. 13, would have increased the income criterion to qualify for the Green Acres Program. The Governor's veto message did not make reference to these provisions.

One farmland preservation program is for the Twin Cities area, and a second is for Greater Minnesota.

Following the 2006 report, the department convened a Green Acres working group, comprised of department officials and county assessors, to discuss changing the program. Based on the working group's discussions, the department released an October 2007 Green Acres bulletin that addresses some of the questions posed in the 2006 report.¹⁵ To encourage uniformity, it lays out a new method, to be used statewide, for determining the low value of Green Acres properties, and it requires each county assessor to submit a Green Acres implementation plan by June 2008. We address certain aspects of the 2007 bulletin in Chapter 2.

PROGRAMS FOR PRESERVING AGRICULTURAL LAND

Minnesota has two separate but similar programs specifically intended to preserve agricultural land. One is the Metropolitan Agricultural Preserves Act, enacted for the seven-county metropolitan area. The second is the Agricultural Land Preservation Program, which is structured for Greater Minnesota counties and municipalities that are willing to designate land for long-term agricultural use. We will first describe the Metropolitan Agricultural Preserves Program, followed by the program for Greater Minnesota.

Metropolitan Agricultural Preserves Act

In 1980, the Legislature passed the Metropolitan Agricultural Preserves Act for the purpose of maintaining "viable productive farm operations in the metropolitan area."¹⁶ Six of the seven counties from the Twin Cities metropolitan area have had land enrolled in the Metropolitan Agricultural Preserves Program since 1983; Ramsey County does not have land enrolled largely because it has few farms and just 275 agricultural acres. The act requires action by both local governments and landowners. First, in their land-use planning, metropolitan-area local governments must designate areas within their boundaries as "agricultural preserves," which will be set aside for long-term agricultural uses with no more than one dwelling allowed for every 40 acres.¹⁷ Second, landowners within an agricultural preserve must agree to have added to their land's certificate of title a covenant restricting use of the land to agriculture, in exchange for certain tax advantages and other nonmonetary benefits. The state has little involvement in, or oversight of, the process.

Landowner Benefits

Part of the tax benefit for landowners agreeing to the restrictive covenant is similar to that provided by the Green Acres Program—assessors use a low, agricultural-use value to set the land's taxable value. No additional value from

¹⁵ Minnesota Department of Revenue, *Green Acres Bulletin #1* (St. Paul, October 2007).

¹⁶ *Laws of Minnesota* 1980, chapter 566, sec. 1.

¹⁷ Land-use planning is done by cities and some townships and, in some cases, counties are in charge of the planning on behalf of townships.

The Metropolitan Agricultural Preserves Program lowers the enrolled lands’ taxable value and provides other benefits.

To be eligible for the Metropolitan Agricultural Preserves Program, land must be in an area designated for long-term agricultural use.

nonagricultural factors may be considered in setting the value, and the lower taxable value translates into lower property taxes owed. As a bonus, landowners receive a tax credit of approximately \$1.50 for every acre in the agricultural preserve, further reducing their tax bills.¹⁸ In contrast to the Green Acres Program, though, the landowner in Metropolitan Agricultural Preserves is not required to pay back any amount of the reduced property tax, even when the preserve expires.

Beyond the tax advantages, landowners with property enrolled in Metropolitan Agricultural Preserves receive protections against interference with their farming operations. Statutes prohibit local units of government from enacting ordinances that would unreasonably regulate farm structures or practices, barring an immediate and substantial threat to public health and safety.¹⁹ Public water and sewer systems are prohibited in agricultural preserves, and public roads or other public improvements in the vicinity of the preserve are deemed to be of no benefit to the land in the preserve.²⁰ This prevents land there from bearing the cost of the improvements.

Cities may not annex agricultural preserve land located in townships, except under special conditions.²¹ Furthermore, any unit of government considering eminent domain actions for taking lands within an agricultural preserve must follow additional procedures to evaluate alternatives to acquiring that land. As part of the procedures, the Environmental Quality Board is authorized to delay the eminent domain action for a year if alternatives would have less of a negative impact on the preserve.²²

Eligibility and Expirations

To be eligible for Metropolitan Agricultural Preserves, land must be at least 40 acres in size and in an area designated for long-term agricultural use. Certain exceptions exist to the minimum size requirement, such as a parcel that is at least

¹⁸ Technically, counties compute taxes on enrolled properties in two different ways and use whichever results in lower taxes for the owner. In one computation, the auditor multiplies the tax rate and the “net tax capacity” (taxable value) of the land, then subtracts \$1.50 per acre from the product. In the second, the auditor multiplies 105 percent of the previous year’s statewide average local tax rate for township properties by the enrolled land’s net tax capacity.

¹⁹ *Minnesota Statutes* 2007, 473H.12.

²⁰ *Minnesota Statutes* 2007, 473H.11. If land in the Green Acres Program is transferred to the Metropolitan Agricultural Preserves Program, the special assessments may continue to be deferred until the agricultural preserve expires.

²¹ *Minnesota Statutes* 2007, 473H.14. Exceptions require a finding by the state Office of Strategic and Long-Range Planning that (1) the preserve’s expiration has begun, (2) the township is unable to provide normal governmental functions, or (3) the city would completely surround the preserve.

²² *Minnesota Statutes* 2007, 473H.15, subd. 9. According to the Environmental Quality Board, no such delays have been approved.

Landowners participating in the Metropolitan Agricultural Preserves Program agree to “restrictive covenants” that require keeping the land in agricultural use.

35 acres but less than 40 acres due to the existence of a public roadway.²³ The restrictive covenant requires the owner to keep the land in agricultural use and follow sound soil and water conservation practices.²⁴

Once restrictive covenants are in place, they are binding on the owners and the owners’ successors, and the covenant runs with the land even when sold. Either the landowner or the local government may initiate action to allow agricultural preserves to expire, but expirations may not occur for at least eight years from the date of the action.²⁵ To initiate expiration, the local government must amend its comprehensive plan to remove zoning for the long-term agricultural area, and it must notify affected landowners by registered letter. A landowner may initiate expiration by notifying the local government that designated the preserve. After the eight-year period and on the date of expiration, all benefits and obligations related to the preserve cease. Landowners may file notices of expiration at the same time they apply for the agricultural preservation program; doing so permits them to allow the preserve to expire after eight years or reenroll the property at that time.

Conservation Accounts

As stated, among the tax benefits of the Metropolitan Agricultural Preserves Program, participants’ tax bills are reduced by about \$1.50 per acre of land in the preserve. Local governments that lose tax revenues due to the \$1.50 per acre credit are reimbursed with money collected from a \$5 fee imposed whenever a mortgage or deed is recorded or registered in the county.²⁶ Revenues from the \$5 fee are divided between the state and the county, as Figure 1.4 depicts.

Each county receives half of the revenues and deposits them into a county conservation account, which is to be used for statutorily specified purposes. If the county’s conservation account has insufficient money to cover the reimbursement for the \$1.50 per acre tax credit, the state must make up the

²³ *Minnesota Statutes* 2007, 473H.03, subd. 1-3. Certain 20-acre parcels are eligible if they have demonstrably high-quality soil, are considered to be an essential part of the agricultural region, were a parcel of record prior to 1980, and if surrounding land on at least two sides is eligible for an agricultural preserve.

²⁴ *Minnesota Statutes* 2007, 473H.16, subd. 1, and 473H.17, subd. 1. Landowners who are found to follow practices resulting in excessive soil loss, and who fail to enact corrective measures to prevent further loss, are subject to a civil penalty of up to \$1,000 and payment of court costs.

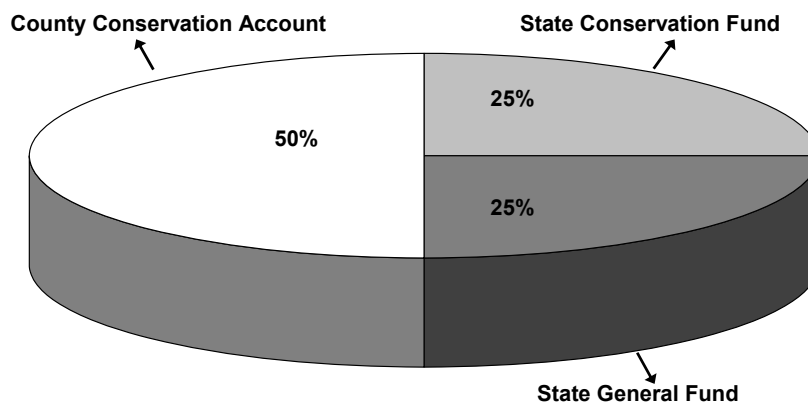
²⁵ *Minnesota Statutes* 2007, 473H.08, subd. 2-3. Terminations prior to the eight years are allowed when the governor has declared a public emergency and issues an executive order. We found no such executive orders. Prior to the eight years, Agricultural Preserves land may be taken by the state or local governments or other entities using eminent domain, but only after involving the Environmental Quality Board, which has authority to invoke a one-year delay in the taking.

²⁶ *Minnesota Statutes* 2007, 40A.152, subd. 1. Counties in the seven-county metropolitan area are required to impose the \$5 fee, regardless of how much or little of their land has been designated as agricultural preserves.

Tax credits to landowners participating in the agricultural land preservation programs are paid for with revenues from a \$5 fee charged when counties register mortgages and deeds.

Only three counties in Greater Minnesota have ever had land enrolled in the agricultural land preservation program.

Figure 1.4: Distribution of Revenues from \$5 Fee on Mortgage and Deed Transactions



NOTES: Counties in the seven-county metropolitan area are required to impose the \$5 fee. In Greater Minnesota, only the three counties participating in the Agricultural Land Preservation Program charge the fee.

SOURCES: [Minnesota Statutes](#) 2007, 40A.151, subd. 1, and 40A.152, subd. 1.

difference.²⁷ On the other hand, if county conservation accounts have more than what is needed to reimburse taxing jurisdictions for the tax credit, counties may spend the amounts for one of four purposes, as listed in Table 1.3.

Greater Minnesota’s Agricultural Land Preservation Program

The 1984 Legislature passed the Agricultural Land Preservation Program, with goals of preserving agricultural land, preserving soil and water resources, and encouraging the orderly development of rural and urban land uses.²⁸ Although open to all localities in Greater Minnesota, only three counties—Waseca, Winona, and Wright—have ever enrolled acres in the program.

Counties choosing to participate are required to develop an agricultural land preservation plan, which is to be reviewed and approved by the commissioner of the Department of Agriculture. The plan must designate land suitable for long-term agricultural use and be integrated with the county’s comprehensive plan. When the legislation passed in 1984, an appropriation of \$300,000 was included

²⁷ [Minnesota Statutes](#) 2007, 473H.10, subd. 3(e). To reimburse local taxing jurisdictions, the state uses its share of the \$5 fee deposited in the Minnesota Conservation Fund. If that fund is insufficient, the state is obligated to make reimbursements from its General Fund.

²⁸ *Laws of Minnesota* 1984, chapter 654, art. 3, sec. 31-47.

Table 1.3: Activities on Which Counties May Spend Conservation Account Dollars

- Planning for agricultural land preservation and conservation and implementation of official controls^a
- Soil conservation activities and enforcement of soil loss ordinances
- Incentives for landowners who create exclusive agricultural-use zones
- Payments to municipalities for the purposes listed above

NOTES: Counties may use Conservation Account dollars for these activities only after reimbursing taxing jurisdictions for annual revenues lost due to the \$1.50 per acre credited to landowners enrolled in either of the state's agricultural land preservation programs. Further, counties must have had equivalent expenditures from other county funds for the same purposes in the previous budget year. Money not encumbered within a year transfers to the state treasury.

^a Official controls are policies for controlling the physical development of a county or municipality, such as zoning ordinances, subdivision controls, building codes, and official maps.

SOURCE: [Minnesota Statutes](#) 2007, 40A.152, subd. 2-3.

for grants to help counties implement the program, although some of the money went unused and was returned to the state treasury.

Landowner Benefits

Although the land preservation programs in the Twin Cities area and Greater Minnesota are similar in some respects, the latter program's tax advantages are not as extensive. Property owners in the Greater Minnesota program receive a \$1.50 per acre credit to reduce their property taxes each year they have land enrolled.²⁹ The assessment of their properties' taxable values, however, is not reduced in areas where nonagricultural factors have increased agricultural land values (as is done in the Metropolitan Agricultural Preserves Program). Furthermore, once landowners give official notice to terminate an agricultural preserve, they are immediately ineligible for the \$1.50 per acre credit, although landowners in the Twin Cities program continue receiving the credit throughout the eight-year period until the preserve expires. Table 1.4 compares the programs' features.

Landowners enrolled in the Agricultural Land Preservation Program receive nonmonetary benefits, in addition to the \$1.50 per acre credit. The law prohibits local governments from enacting ordinances that regulate normal agricultural practices in a preserve, protecting farmers from restrictions on activities such as planting or harvesting that may create noise, dust, or other potential conflicts

The agricultural land preservation program in Greater Minnesota offers a \$1.50 per acre tax credit but does not reduce lands' taxable values.

²⁹ [Minnesota Statutes](#) 2007, 273.119, subd. 1.

Table 1.4: Comparisons Among the Agricultural Land Preservation Programs and Green Acres Program, 2007

	Metropolitan Agricultural Preserves	Agricultural Land Preservation	Green Acres
Assessor must use the low agricultural-use value to set the property value	✓		✓
Landowner who becomes ineligible must pay back three years of deferred taxes ^a		N/A	✓
Landowner may terminate from program in any given year			✓
A minimum acreage is needed to qualify	✓		✓
Land must be in area where a local government designated land for long-term agricultural use ^b	✓	✓	
After filing an expiration notice, landowner continues to receive tax benefits and other advantages for eight years	✓		N/A
Program requires county to charge \$5 fee on mortgage and deed registrations	✓	✓	
Program provides landowner a tax credit of \$1.50 per acre	✓	✓	
Program offers access to state's General Fund for reimbursing \$1.50 per acre tax credit	✓		N/A
Public water and sewer systems are prohibited on enrolled land	✓	✓	
City annexation of enrolled land is largely prohibited ^c	✓	✓	
Eminent domain action may be delayed for enrolled land	✓	✓	
Local governments may not pass ordinances restricting normal agricultural practices	✓	✓	
Department of Agriculture administers parts of the program		✓	

NOTE: The Metropolitan Agricultural Preserves Program applies to the seven-county metropolitan area, while the Agricultural Land Preservation Program applies to the rest of the state. The Green Acres Program is not designated for particular counties.

^a If the land enrolled in Green Acres is transferred to the Metropolitan Agricultural Preserves Program, the payback is not required. In contrast, the Agricultural Land Preservation Program in Greater Minnesota does not defer property taxes, so a payback does not apply.

^b In the metropolitan area, the zoning density must be not more than 1 dwelling unit per 40 acres.

^c Exceptions require a finding by the state that: (1) the preserve's expiration has begun, (2) the township is unable to provide normal governmental functions, or (3) the city would completely surround the preserve.

SOURCES: [Minnesota Statutes](#) 2007, 40A; 273.111; 273.119; and 473H.

Either local governments or landowners may initiate termination of an agricultural preserve by giving appropriate notice, but the preserve lasts for eight years after notice is filed.

Enrollment in the agricultural land preservation programs peaked in the late 1990s.

with nonagricultural land uses.³⁰ Annexation of lands in a preserve is prohibited, with the same exceptions as described earlier for the Metropolitan Agricultural Preserves Program. Public water, sewer, and drainage systems are also prohibited, and the land in agricultural preserves may not be assessed for building these types of projects nearby.³¹ Finally, government agencies may not use eminent domain actions to acquire land in a preserve, without first following specific procedures involving reviews and hearings by the Environmental Quality Board.³²

Eligibility and Termination

The only statutory eligibility requirement for the Agricultural Land Preservation Program is that the owner has land in an area designated in a local government's plan for long-term agricultural use. There is no income or land size requirement.³³

Terminating the agricultural preserve may be initiated when landowners notify counties of their intent or vice versa, but the expiration does not actually occur until at least eight years after official notice is given. If the county initiates the action to terminate the preserve, it must first amend its plans and zoning ordinances removing the designation for long-term agricultural uses, and the state's commissioner of agriculture must approve the amendments.³⁴

Farmland Enrollment

Landowner participation in the agricultural land preservation programs has slowly declined after reaching peak enrollment in the late 1990s. Enrollment quickly grew after land was first enrolled in the Metropolitan Agricultural Preserves Program in 1983, reaching a peak of 202,000 acres in 1997; since then it slowly declined to 182,000 acres in 2007, a decline of about 10 percent from the peak. Participation in Greater Minnesota's Agricultural Land Preservation Program also reached a peak in the late 1990s (138,000 acres), before declining to 133,000 acres in 2007, a decline of 3 percent.

Farmland enrollment in the Metropolitan Agricultural Preserves Program is generally low, as shown in Table 1.5, with about 25 percent of the region's agricultural land enrolled. Only Carver County enrolled more than 30 percent of

³⁰ *Minnesota Statutes* 2007, 40A.12.

³¹ *Minnesota Statutes* 2007, 40A.123. The law provides an exception allowing such public projects if the landowner elects to use them.

³² *Minnesota Statutes* 2007, 40A.122, subd. 1-4.

³³ Individual counties may impose their own land size requirement. For instance, Wright County requires lots of at least 35 acres, with any exceptions to be approved by the county board.

³⁴ *Minnesota Statutes* 2007, 40A.11. According to subdivision 5 of this section, preserves may be terminated earlier than eight years but only in the event of a public emergency declared by the governor. As previously stated, local or state governments may use eminent domain to take land prior to the eight-year expiration of an agricultural preserve, but only after involving the Environmental Quality Board, which has authority to invoke a one-year delay.

Table 1.5: Farmland Enrollment in the Agricultural Land Preservation Programs, 2007

		Farmland Enrolled	
	Farmland Acres	Acres	Percentage of Farmland
<u>Metropolitan Agricultural Preserves</u>			
Anoka	57,068	1,816	3%
Carver	167,910	93,727	56
Dakota	207,985	59,803	29
Hennepin	65,426	10,496	16
Scott	129,206	7,185	6
Washington	<u>94,625</u>	<u>9,053</u>	10
Twin Cities metropolitan area total	722,495 ^a	182,080	25%
<u>Agricultural Land Preservation</u>			
Waseca	252,090	82,989	33%
Winona	314,799	41,062	13
Wright	<u>323,391</u>	<u>9,158</u>	3
3-county total	890,280	133,209	15%
Greater Minnesota total	28,765,718	133,209	0.5%
<u>Both Programs</u>			
Statewide total	29,488,213	315,289	1%

NOTE: Data are on properties assessed in 2007 for taxes to be paid in 2008.

^a Includes Ramsey County.

SOURCES: Office of the Legislative Auditor, analysis of data from the Minnesota Department of Revenue's 2007 Spring Mini Abstract and U.S. Department of Agriculture, 2002 Census of Agriculture.

In the Twin Cities area, 25 percent of farmland was enrolled in the Metropolitan Agricultural Preserves Program as of 2007.

its farmland in the program. Enrollment ranged from 3 percent of farmland in Anoka County to 56 percent in Carver County. Enrollment in the Metropolitan Agricultural Preserves Program is lower than for the Green Acres Program for all participating counties except Carver County. Overall, 25 percent of metropolitan-area farmland was enrolled in the Agricultural Preserves Program in 2007, compared with 47 percent for the Green Acres Program.

Enrollment in Greater Minnesota's Agricultural Land Preservation Program was also low, ranging from 3 percent to a high of 33 percent of farmland in Waseca County, as shown in Table 1.5. Enrollment is especially low as a percentage of total farmland in Greater Minnesota, just 0.5 percent in 2007.

Statutes require Minnesota's Department of Agriculture to promote awareness of the need to preserve agricultural land.

Program Administration

Besides adopting plans and land-use ordinances required for the Agricultural Land Preservation Program in Greater Minnesota, counties review landowner applications for completeness and officially record the restrictive covenants.³⁵ The law also specifies duties for the Minnesota Department of Agriculture, although it does not assign the department broad oversight responsibilities. When the law was first passed in 1984, the department was directed to select up to seven counties for a pilot program, and it ultimately selected five pilot counties, two of which (Kandiyohi and Douglas) later dropped participation.

Since those early years, the department's role has focused on two other duties assigned by the law. One is promoting awareness of: the need for preserving agricultural land, physical and social factors that affect agricultural land uses, and approaches and technologies for preserving and conserving agricultural land.³⁶ Over the years, the department has broadened the scope of its awareness campaign to cover the mitigation of land-use conflicts between farming and residential land. It reasons that meeting the stated purposes of the law requires resolving conflicts, such as those over noise and odor, with nonfarm land uses.

The department's second statutory duty is to provide financial and technical assistance for agricultural land preservation.³⁷ According to the department, the only financial assistance available to this end was the original \$300,000 appropriated for the pilot counties and a \$65,000 appropriation enabling the department to hire one staff person for implementing the law. Regarding technical assistance for local governments, the department has developed written materials, such as a model ordinance for regulating feedlots, which was designed to help reduce the land-use conflicts between farms with animal agriculture and nearby residences.³⁸ Another example is a study comparing the public costs of preserving farmland versus the costs associated with subdividing and developing rural land.³⁹ The department remains active with workshops and other means of providing information on the land preservation program and preventing conflicts between adjacent rural and urban land uses.

Conservation Accounts

Counties participating in the Agricultural Land Preservation Program must charge a \$5 fee on mortgage or deed registrations, as is done under the Metropolitan Agricultural Preserves Program. Statutory restrictions on the use of the revenues are the same for both programs. One difference is that if the

³⁵ *Minnesota Statutes* 2007, 40A.10, subd. 2-3.

³⁶ *Minnesota Statutes* 2007, 40A.14, subd. 1.

³⁷ *Minnesota Statutes* 2007, 40A.15, subd. 1 and 5.

³⁸ Minnesota Department of Agriculture, *Planning for Agricultural Land Preservation in Minnesota: A Handbook for Planning Under Minnesota Statutes, Chapter 40A* and *Planning and Zoning for Animal Agriculture in Minnesota: A Handbook for Local Government* (St. Paul, June 1996). These publications were updated in 2006.

³⁹ Minnesota Department of Agriculture, *Cost of Public Services Study* (St. Paul, September 1999).

county-conservation account revenues are insufficient to reimburse the \$1.50 per acre tax credit, reimbursements will be made from the Minnesota Conservation Fund but not from the state’s General Fund.

Green Acres and the two agricultural land preservation programs reduced property taxes on enrolled lands by about \$40 million in 2007.

AMOUNT OF PROPERTY TAX BENEFITS

As we discussed earlier in this chapter, both the Green Acres and the Metropolitan Agricultural Preserves programs provide significant property tax benefits to participating landowners, and the Minnesota Agriculture Land Preservation Program’s tax benefits are small in comparison. In this section, we examine the overall amount of property tax benefits provided by these programs and estimate the tax impact on other property owners who do not participate.

The Green Acres and the Metropolitan Agricultural Preserves programs increase property taxes for nonparticipants by reducing the community’s tax base, assuming spending stays constant. To the extent that local governments reduce their spending because the tax base is smaller, our estimates overstate the impact on property taxes of nonparticipants.

Overall, we estimate that these three programs reduced property taxes on enrolled land by about \$40 million in 2007, as Table 1.6 shows. However, we estimate

Table 1.6: Amount of Property Tax Benefits Provided by the Green Acres and Agricultural Land Preservation Programs, 2007

	Green Acres Program		Agricultural Land Preservation Programs ^a		Total	
	With Limited Market Value (millions)	Without Limited Market Value (millions)	With Limited Market Value (millions)	Without Limited Market Value (millions)	With Limited Market Value (millions)	Without Limited Market Value (millions)
Twin Cities seven-county metropolitan area	\$12.5	\$20.1	\$4.2 ^b	\$5.6 ^b	\$16.7	\$25.7
Four counties north of metropolitan area (Chisago, Isanti, Sherburne, and Wright)	11.4	17.4	0.01	0.01	11.4	\$17.5
Other 76 counties	<u>11.3</u>	<u>17.5</u>	<u>0.2</u>	<u>0.2</u>	<u>11.5</u>	<u>\$17.7</u>
Total	\$35.2	\$55.1	\$4.4	\$5.8	\$39.6	\$60.8

NOTES: Data are for taxes paid in 2007. The size of the benefits provided by the Green Acres and land preservation programs is reduced by the “limited market value” law, which limits annual increases in properties’ taxable values for agricultural, residential, seasonal recreational residential (cabins), and timberland property. We also show the impact without limited market value because the law is scheduled to expire for assessment year 2009.

^a These columns combine data for the Metropolitan Agricultural Preserves and Greater Minnesota’s Agricultural Land Preservation programs. Only the former program lowers the taxable value of enrolled land, but each program provides property tax credits of about \$1.50 per acre. The property tax credits totaled \$0.5 million for the two preservation programs.

^b Includes \$0.3 million in property tax credits.

SOURCES: Office of the Legislative Auditor, with assistance from the Minnesota House of Representatives Research Department, analysis of property tax data from the Department of Revenue and select counties.

The Green Acres Program accounts for most of the tax benefits because it enrolls much more farmland than the agricultural land preservation programs.

that the programs' impact would have been \$61 million in 2007 were it not for the "limited market value" law, which limits annual increases in properties' taxable values for agricultural, residential, seasonal recreational residential (cabins), and timberland property. Examining the impact without the limited market value law is useful because, under current law, limited market values are scheduled to expire in assessment year 2009.⁴⁰

The Green Acres Program provided most of these benefits largely because it enrolls much more farmland than the other programs, both in the Twin Cities area and in Greater Minnesota. Greater Minnesota's Agricultural Land Preservation Program provided only \$0.2 million in benefits because only three counties participate, and its \$1.50 per acre credit is small compared with the other two programs.

The tax benefits provided by these programs are more concentrated in the Twin Cities area than is farmland enrollment. The seven-county Twin Cities metropolitan area and the four counties on its northern border account for 30 percent of land enrolled in these programs but 71 percent of the overall benefits.

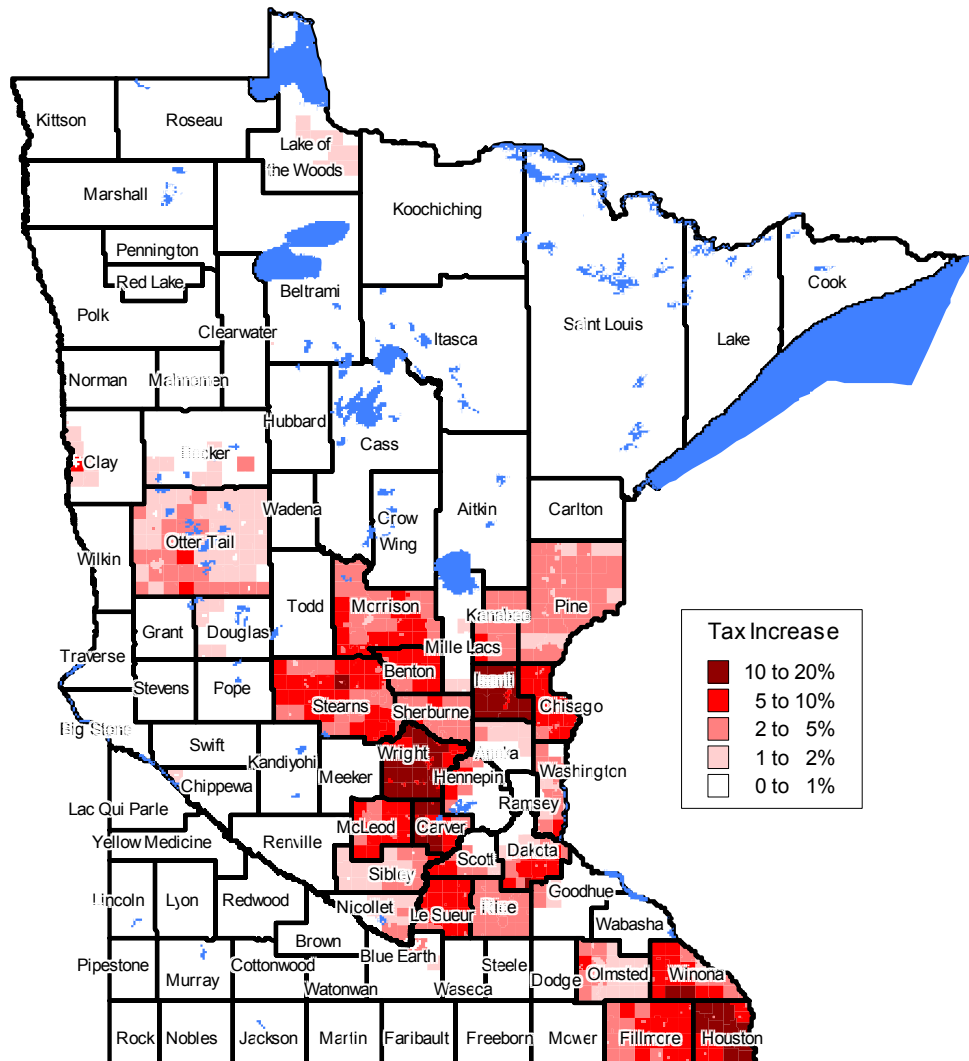
The tax impact of the Green Acres and the Metropolitan Agricultural Preserves programs on nonparticipating property varies widely among cities and townships across the state. To examine these tax impacts, we used our estimates without limited market values. For the townships with the largest tax impacts, we estimate that the programs would have increased property taxes in 2007 by 32 percent for agricultural homesteaded land owned by nonparticipants, 19 percent for residential homesteads, and 10 percent for commercial-industrial property. However, the two programs affect property taxes of most landowners by much smaller amounts. To illustrate how the tax impact on other property types varies across the state, we looked at what the tax impact would have been on residential homesteads, the property class with the highest total valuation in Minnesota. In about half of the 1,500 cities and towns in participating counties, the tax impact on residential homestead property would have increased by less than 1 percent. Among the remaining cities and towns, we estimate that the two programs would have increased residential homestead property taxes by at least 5 percent in 236 cities and towns, including 50 where the increase would have exceeded 10 percent. Areas with large tax impacts are in the farm areas near the Twin Cities, around St. Cloud, and in the southeast corner of the state, as shown in Figure 1.5.

In 2007, the Green Acres Program sheltered about \$10 billion in farmland market values, a 14-fold increase since 1993.

To examine how the benefits provided by the Green Acres Program have changed over time, we looked at trends in the amount of market value sheltered from property taxes by this program. Generally, the more farmland value that is sheltered from property taxes, the greater is the property tax benefit to landowners enrolled in the program. The amount of farm market value sheltered from property taxes by the Green Acres Program increased from \$0.7 billion in

⁴⁰ There are two other reasons to examine the tax impact without limited market values. First, even if the limited market value law is extended by the Legislature, its impact may decline if increases in agricultural land prices taper off from the rapid increases they have experienced for several years. Second, due to data limitations, the estimates without limited market values are more accurate and reliable than those with limited market value.

Figure 1.5: Estimated Impact of the Green Acres and Metropolitan Agricultural Preserves Programs on Residential Homestead Property Taxes



NOTES: This figure shows our estimates of how much the two programs would have increased property taxes, on average, in 2007 for residential homestead properties, if the “limited market value” law were not in effect. The limited market value law, which limits annual increases in property values used to determine property taxes for agricultural, residential, seasonal recreational residential (cabins), and timber property, is scheduled to expire for assessment year 2009.

SOURCE: Office of the Legislative Auditor, with assistance from the Minnesota House of Representatives Research Department, analysis of Department of Revenue’s property tax data.

1993 to \$10.1 billion in 2007, an increase that was much faster than the rate of inflation. One reason for this 14-fold increase was the rapidly rising farmland market values, particularly in the Twin Cities metropolitan area and nearby counties. From 1993 to 2007, farmland property values increased by over 500

percent in the seven-county metropolitan area and by over 700 percent in the four fast-growing counties bordering the metropolitan area to the north.⁴¹

Rising farmland values were also a factor in certain Greater Minnesota counties. For example, farmland prices for the three counties in Minnesota's southeast corner (Houston, Winona, and Fillmore Counties), increased by 371 to 484 percent during this period largely because of especially large price increases for nontillable farmland.

OTHER MECHANISMS TO PRESERVE AGRICULTURAL LAND

Although the Metropolitan Agricultural Preserves Program and the Agricultural Land Preservation Program in Greater Minnesota are the two official programs in the state for preserving farmland, other practices share somewhat similar aims. Most counties and many municipalities develop comprehensive plans and adopt zoning ordinances. Those that zone agricultural districts and maintain buffers between farms and nonfarm residences may help preserve and sustain farmland.

Local governments' land-use planning can help protect agricultural lands.

Land-use regulations may not be long lasting. Zoning regulations apply to all landowners in a jurisdiction, however, they are subject to changes, and if a jurisdiction's board of adjustment or local officials grant numerous variances to their land-use ordinances, land preservation may be of short duration.

While local planning and zoning cannot guarantee long-term land preservation, land easements are generally longer term and many are perpetual. Easements are restrictions voluntarily placed on land to protect its natural, scenic, historical, cultural, or architectural values. They are recorded on a property's deed and prevent developing the land but may also restrict using it for crop production or pasture. In contrast to zoning regulations, easements are typically targeted to only certain lands, such as forest or lands adjacent to waterways.

In Minnesota, statutes provide for conservation easements.⁴² The state has also appropriated dollars to conservation easement programs, most notably the Reinvest in Minnesota (RIM) Program and Conservation Reserve Enhancement Program (CREP). Other easement programs also exist, each with its own requirements on eligibility, payments, and duration, but most are not designed to preserve land for farming uses.

In addition, Dakota and Washington counties have begun programs that use public dollars to purchase development rights for key lands. One part of Dakota

⁴¹ These increases in value were much larger than the increases in "agricultural-use value" used to determine taxes for land in the Green Acres Program. County assessors typically look for farmland sales that are not influenced by nonagricultural factors to determine the land's agricultural value. Market value changes in five southwestern Minnesota counties, an area generally free of nonagricultural influences, suggest that the agricultural value of farmland increased by about 175 percent between 1993 and 2007.

⁴² *Minnesota Statutes* 2007, 84C.

Each of the 50 U.S. states has some type of farmland protection program.

County’s Farmland and Natural Area Program, which has been funded with a voter-approved sale of \$20 million in bonds, purchases agricultural easements to allow farming activities to continue permanently. As of June 2007, the county had acquired 13 permanent agricultural conservation easements representing 1,348 acres.⁴³ Washington County’s new program for purchasing development rights complements its efforts, which started in 2000, to keep lands in their natural condition. A referendum approved in 2006 gives the county a long-term funding source, but its emphasis is on protecting bodies of water and purchasing parkland and open space, not preserving agricultural land per se.

PROGRAMS IN OTHER STATES

Each of the 50 states has some type of farmland protection program, according to the U.S. Department of Agriculture.⁴⁴ Some of the programs lower the amount of property taxes paid by the agricultural landowner. Others regulate how the land is controlled or how it may be used.

Eligibility criteria, application procedures, and tenure of the protection vary by program and by state. In some cases, the benefits extend to all agricultural property, and the individual landowner is not required to apply. In others, landowners not only must apply and meet explicit eligibility standards, but also must renew their applications annually. Some programs protect farmland for a year, while others are designed as permanent protection.

Programs to reduce the tax burden for agricultural land include differential assessment programs, of which Minnesota’s Green Acres Program is one example in that it sets taxable values at a low, agricultural value instead of a higher value based on the “highest and best” use (the potential development use) of the land.⁴⁵ All states but one have some form of differential assessment for farmland. A second program is referred to as “circuit breaker” tax relief, which provides property tax reductions to farmers based on their income levels. Third are programs called agricultural districting, in which participants agree to maintain the land agriculturally in exchange for limits on taxes or special assessments for sewer, water, and other public services. This type involves both tax reductions and land-use controls and includes Minnesota’s agricultural land preservation programs. We looked more in depth at a sample of states, and Table 1.7 shows some of the features of the programs we examined.

⁴³ Dakota County, *Farmland and Natural Areas Program: Program Summary and Overview*, www.co.dakota.mn.us/CountyGovernment/Projects/FarmlandNaturalArea/Program+Summary+and+Overview.htm, accessed November 26, 2007.

⁴⁴ Cynthia Nickerson and Charles Barnard, “Farmland Protection Programs,” in *Agricultural Resources and Environmental Indicators, 2006 Edition* (Washington, D.C.: U.S. Department of Agriculture) July 21, 2006, www.ers.usda.gov/publications/arei/eib16/, accessed April 26, 2007.

⁴⁵ In addition, for all land classified as agricultural, Minnesota’s classification system assigns a low class rate, and a “limited market value” law limits the year-to-year increases in agricultural values.

Table 1.7: Features of Agricultural Land Protection Programs in Select States, 2007

Program	Type of Benefit	Owner Must Apply	Minimum Eligibility	Penalty for Removing Land from Program
Iowa Land Assessment	All agricultural land receives preferential assessment	No	None	None
Iowa Agricultural Land Tax Credit	Property tax credit	No	At least 10 acres	None
Iowa Family Farm Tax Credit	Property tax credit	Yes	At least 10 acres with at least 50% in crops or livestock, and owner is actively engaged in farming	None
Michigan	Income tax credit for property taxes exceeding 3.5 percent of household income; exemption from special assessments	Yes	At least 40 acres with at least 51 percent used agriculturally; or at least 5 acres with at least \$200 per acre annual income ^a	Repay seven years of tax credits plus 6 percent interest
Minnesota Green Acres Program	Eligible land receives preferential assessment and tax deferral	Yes	At least 10 acres, classified as agricultural, meeting ownership and minimum income thresholds	Repay three years of deferred taxes and all deferred special assessments
Minnesota Metropolitan Agricultural Preserves Program	Eligible land receives preferential assessment and tax deferral; \$1.50 per acre tax credit; and protections from ordinances restricting farm operations	Yes	At least 40 acres, located in an area designated for long-term agricultural use with no more than 1 dwelling allowed per 40 acres	None, but must wait eight years before land-use restrictions expire
Minnesota Agricultural Land Preservation Program	Eligible land receives \$1.50 per acre tax credit and protections from ordinances restricting farm operations	Yes	Located in an area designated for long-term agricultural use	None, but must wait eight years before land-use restrictions expire
North Dakota	All agricultural land receives preferential assessment	No ^b	None	None
South Dakota	Qualifying agricultural land receives preferential assessment	Yes	Must meet 2 of 3 criteria: At least 20 acres; produce at least 1/3 of yearly family gross income; or principal use is devoted to crops or livestock as specified in law ^c	None
Wisconsin Farm Preservation Tax Credit	Property tax credit up to \$4,200 based on income of owner; requires a restrictive covenant on the land	Yes	At least 35 acres, earning at least \$6,000 in profits the preceding year, and used agriculturally at least 12 months in the last 3 years ^d	Repay ten years of tax credits plus up to 9.3 percent interest
Wisconsin Land Assessment	All agricultural land receives preferential assessment and tax deferral	No	None	Repay a certain percentage based on the number of acres and difference between the high and low values

NOTE: Every state has some type of farmland protection program, and we selected a small sample for this table.

^a Also eligible are specialty farms where owners have gross annual incomes of at least \$2,000.

^b Owners apply to have land classified as "inundated" when it is unsuitable for crops or grazing animals for at least two growing seasons.

^c If less than 20 acres, a portion of 80 contiguous acres under the same ownership may also be eligible.

^d Land must be zoned for exclusive agricultural use or the county must have a certified agricultural preservation plan.

SOURCE: Office of the Legislative Auditor, analysis of other states' laws on farmland programs.

Programs designed to regulate how agricultural land is controlled include agricultural-land zoning, which sets minimum parcel sizes and may prevent the development of conflicting land uses. Another program is a right-to-farm law that offers protections to farmers. For example, such a law might prohibit governmental units from passing ordinances that impinge on agricultural activities, or it might restrict lawsuits filed by nonfarming neighbors who object to noises or smells from normal farm activities. A Minnesota example is a law requiring the Minnesota Department of Agriculture to review state agency actions, such as a road building project, that could adversely affect agricultural lands and recommend alternatives to reduce adverse effects.⁴⁶ Third are the “purchase of development rights” programs, similar to those described above in Dakota and Washington counties. They often rely on the purchase of conservation easements to protect the land from development. Finally, there are “transfer of development right” programs, which allow landowners to forego developing land and instead sell their development rights to a landowner elsewhere who can use those rights to develop at higher densities than otherwise allowed.

⁴⁶ *Minnesota Statutes* 2007, chapters 17.81, 17.82, and 17.84.

“Green Acres” Program

SUMMARY

The Green Acres Program effectively equalizes taxes for many agricultural landowners, but not everyone who may qualify for the program receives the benefits because the program is not yet available as widely as it could be, and some landowners fail to apply or may not be aware the program exists. While statutes do not make it clear that land preservation is a goal of the Green Acres Program, the program’s effect on preserving land for agricultural uses is short term and tenuous because it requires no long-term commitment to the land; furthermore, the tax benefit, and the penalty for removing land from the program, can be small relative to the value of the land on the open market. Some who receive Green Acres benefits are not farmers or are marginally eligible for the program, and we recommend that the Legislature clarify who and what types of land should receive the benefits. Certain program eligibility criteria are outdated and difficult to implement, and the Legislature should eliminate the income criterion and replace it with a more explicit definition of “primarily” agricultural land. The Department of Revenue’s steps to make the program more consistent statewide will help but can be improved.

The Green Acres Program reduces part of the tax burden for certain agricultural property. It is open to all qualifying landowners, but the program has not been available in every county, as Chapter 1 described. In this chapter we explore equity questions connected to the Green Acres Program and detail how well the program has worked. More specifically, we analyze the following research questions:

- **How effective is the Green Acres Program?**
- **Who benefits from the Green Acres Program?**
- **How appropriate are the eligibility criteria for Green Acres?**
- **How consistently have counties implemented and administered the Green Acres Program?**

To answer these questions, we studied property tax data from the Department of Revenue, and we analyzed trend data on acreage enrolled in Green Acres and values of agricultural land. Using the Department of Revenue’s data, we identified counties that had no land enrolled in the Green Acres Program as of 2007 and surveyed the county assessors there. From among the remaining counties, we selected a large sample and conducted telephone interviews with county assessors. We visited six counties to review landowners’ applications for the program, and we spoke with a small number of landowners who had been denied enrollment. We also interviewed Department of Revenue staff, an

Statutes for the Green Acres Program do not explicitly say that the program’s objective is to preserve agricultural land.

agricultural land economist knowledgeable about the program, and representatives of Farm Service Agencies in eight counties around Minnesota.

EFFECTIVENESS OF GREEN ACRES

Minnesota statutes state that the Green Acres Program is intended to “equalize tax burdens upon agricultural property.”¹ Although the law does not specifically address the objective of preserving agricultural land, some believe this to be one of the program’s purposes. The Department of Revenue’s 2006 report on the Green Acres Program acknowledged that the program’s intent is unclear and should be clarified.² Although the program’s goals are not fully explicit, we looked at both program goals and found that:

- **The Green Acres Program effectively equalizes taxes for many agricultural landowners but does not help all who may be eligible. The program’s effect on preserving farmland is short term and tenuous.**

The following sections describe how well the program equalizes tax burdens and preserves agricultural land.

Tax Equalization

When the Green Acres law was enacted in the late 1960s, urban development had driven the market value of agricultural land in the Twin Cities area beyond the value of rural farmland. Because property taxes were based on properties’ market values, farmers in the Twin Cities area paid much higher property taxes per acre than in the rest of the state. Over time, urban development, recreation, and other nonagricultural factors increased the value of farmland in other regions of the state.

To assess how well the Green Acres Program equalizes property tax burdens, we examined to what extent the program moves values used to determine property taxes closer to target values based on agricultural use. These target values, which we calculated from the Department of Revenue’s county-by-county estimates of the average value of tillable land for agricultural uses, are highest in the state’s prime agricultural areas in southern Minnesota. Because the agricultural value of nontillable farmland often differs from that of tillable land, these target values are rough guides for assessing how well the program equalizes valuation of agricultural property. For example, target values may be high for counties with a lot of nontillable land that is not useful for agriculture, such as counties in Minnesota’s southeast corner. These target values are generally accepted by county assessors as being reasonable for tillable land, although there are

¹ *Minnesota Statutes* 2007, 273.111, subd. 2.

² Minnesota Department of Revenue, *Assessment and Classification Practices Report: Agricultural Land Including Land Enrolled in the Green Acres Program* (St. Paul, 2006), 9. The report pointed to a Supreme Court case that said the program’s tax relief is to promote continued use of the land as agricultural property.

For land in the Twin Cities metropolitan area, the Green Acres Program substantially reduced taxable valuations of enrolled agricultural land in 2007—from an average \$13,800 per acre down to \$3,600 per acre.

significant differences over what should be the target values for nontillable land. Nevertheless, we consider them appropriate to give a big-picture analysis of the program’s effectiveness.

In analyzing how well the program equalizes tax burdens we found that:

- **The Green Acres Program substantially reduces the variation in taxable value between farmland with value added by nonagricultural factors and that without.**

The assessor’s average estimated market value for farmland is the highest in the Twin Cities seven-county metropolitan area, followed by the four fast-growing counties bordering the metropolitan area to the north (Chisago, Isanti, Sherburne, and Wright). As Table 2.1 shows, the Green Acres Program reduces the value of farmland enrolled in Green Acres in these counties to levels much closer to the target values. For enrolled farmland in the Twin Cities metropolitan area in 2007, the Green Acres Program substituted an average agricultural-use value of \$3,600 per acre for the average estimated market value of \$13,800. While this agricultural-use value is somewhat higher than the target value of \$2,500, Green Acres eliminated most of the difference in valuation due to urban development. In the four fast-growing counties on the metropolitan area’s northern border, the Green Acres Program substituted average values of \$1,900 (very close to the target value) for \$6,500 per acre.³ As Table 2.1 shows, the Green Acres Program also substituted lower tax valuations in other regions where estimated market values significantly exceeded the target values.

The other factor that indicates how well the program equalizes property tax burdens on farmland is the percentage of farmland that is enrolled in the program, particularly in counties with widespread nonagricultural influences on farmland market values.⁴ In 2007, 73 percent of the farmland in the seven-county metropolitan area was enrolled in either the Green Acres or Metropolitan Agricultural Preserves program, which we combine here because they offer essentially the same reduction in value, and metropolitan enrollees participate in only one of the two programs. For the four counties north of the metropolitan area, 77 percent of farmland is enrolled in the Green Acres Program.⁵ Considering that some landowners are not eligible for these programs, the two programs appear to effectively enroll most eligible farmers in the two areas with the highest estimated market values. However, in some areas which appear to have considerable nonagricultural influences on farmland value, enrollment in the Green Acres Program is low or moderate, including three of the five counties

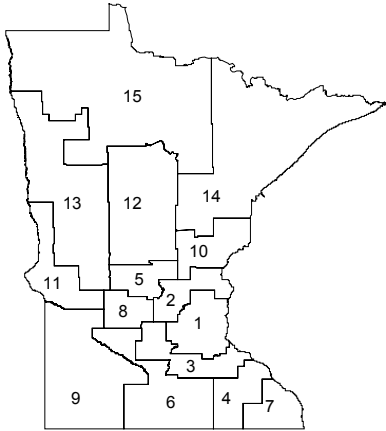
³ Note that the target value for these four counties is lower than the target for all of the regions in southern Minnesota because the four have poorer soil than farmland in southern Minnesota.

⁴ It is not possible to precisely determine how much farmland should be enrolled in the program because, as we described in Chapter 1, eligibility depends on the ownership situation as well as the land. Also, in some counties, nonagricultural influences have driven up the price of farmland in only certain parts of the county.

⁵ In Greater Minnesota, we do not combine enrollment in agricultural preservation programs with the Green Acres Program because only the Green Acres Program provides significant property tax reductions there. However, some land in Wright and Winona counties is enrolled in both programs.

Table 2.1: Impact of the Green Acres Program on Farmland Valuations, 2007

Region	All Farmland		Land in Green Acres		
	Estimated Market Value (per acre)	Target Value ^a (per acre)	Estimated Market Value (per acre)	Agricultural-Use Value (per acre)	Percentage of Farmland
1. Twin Cities metro area	\$10,453	\$2,546	\$13,799	\$3,585	47% ^b
2. North of metro	6,500	2,014	6,474	1,915	77
3. South of metro	3,935	2,862	4,213	2,854	36
4. Southeast	3,238	2,628	7,146	2,914	5
5. St. Cloud area	3,053	1,617	3,005	1,423	71
6. South central	2,983	2,934	11,534	3,287	0.3
7. Southeast corner	2,625	2,456	2,627	1,787	63
8. Near west	2,485	2,389	3,288	2,121	1
9. Southwest	2,324	2,397	3,859	2,349	0.2
10. Near northeast	1,991	1,434	1,959	1,070	31
11. West central	1,816	1,794	2,448	1,235	0.1
12. North central	1,761	1,095	2,143	1,083	14
13. Northwest	1,434	1,260	3,274	1,664	5
14. Northeast	1,228	881	N/A	N/A	0
15. Far north	658	533	1,876	809	0.3



NOTES: We grouped counties into the regions shown based on geographic proximity and the Department of Revenue's estimated agricultural-use value of their tillable land. The number of the region corresponds to the areas numbered on the adjoining map. This table does not include the effects of the limited market value law, which limits the annual increases in property values used to determine property taxes for agricultural, residential, residential seasonal recreational (cabins), and timber property. Valuations estimated in 2007 are used to calculate taxes paid in 2008.

^a The target values are rough approximations of the average agricultural-use value for farmland in 2007. To estimate them, we used the Department of Revenue's ratio of each county's agricultural-use value for tillable land to that from five southwestern counties considered to have had few nonagricultural factors influencing farmland prices. The target values do not include both tillable and nontillable land because good data on nontillable land are not available. Because agricultural-use values often differ between nontillable and tillable land, however, a region's actual target value may differ from the values shown, especially in regions, such as in the southeast corner, where nontillable land is a considerably larger percentage of farmland than in southwestern Minnesota.

^b Enrollment for the Twin Cities area would be 73 percent if enrollment in the Metropolitan Agricultural Preserves Program, which offers essentially the same tax benefit as Green Acres, were added.

SOURCE: Office of Legislative Auditor, analysis of data from the Department of Revenue's 2007 Spring Mini Abstract and Department of Revenue, *Green Acres Bulletin #1* (St. Paul, October 2007).

on the southern border of the metropolitan area and some counties in southeast Minnesota. This reduces the degree to which the program equalizes property tax burdens, which is addressed below.

Limited Tax Equalization

Although the Green Acres Program equalizes tax burdens, we found that:

- **Not everyone who may qualify for the Green Acres Program receives benefits because (1) the program has not been implemented everywhere it could be, (2) some otherwise eligible landowners either fail to apply or choose not to participate, and (3) some landowners may not be aware of the program.**

As of 2007, about 35 counties had not implemented the Green Acres Program, even though some of them reported having land that likely would have qualified.

First, the Green Acres Program is available in only those counties where the county assessor has implemented the program. By definition, the program may operate only where nonagricultural factors influence the value of agricultural land. As of mid-2007, 35 counties had not implemented the Green Acres Program.⁶ In 16 of these counties, assessors reported that nonagricultural factors had increased the values of certain agricultural lands there. Half of those county assessors, though, also reported that they had not implemented the program because differences between the low (Green Acres agricultural-use) values and high (estimated market) values were slight, or the number of land sales with nonagricultural influences was small. For the remaining eight counties where assessors reported that nonagricultural factors had increased agricultural land values, had the Green Acres Program been implemented, qualifying landowners would pay lower taxes than they will in 2008.

A second reason that some potentially eligible landowners do not receive Green Acres benefits is that they fail to apply or choose not to participate. About half of the assessors in the 48 Green Acres counties that we interviewed reported that some landowners who are likely eligible have not enrolled, although in many counties assessors believed this did not happen often. Most frequently, assessors believed that landowners who do not enroll simply decide against applying, have a general mistrust of government programs, or are thinking of soon selling their land.

Third, not all landowners may be aware of the Green Acres Program, in part because some counties have not actively informed landowners about it. Among the 48 Green Acres counties we interviewed, county assessors in five counties with relatively low enrolled acreages (less than 13 percent of deeded farm acres) reported providing Green Acres information only when landowners request it. Furthermore, none of the eight Farm Services Agency directors we interviewed believed the Green Acres Program was widely known within their counties.⁷ Five of the eight directors believed that farmers were “somewhat” aware of the program, and the remaining three thought that farmers were generally unaware of it. Four directors volunteered they would find it useful to distribute to local farmers a brochure or information packet about the program.

⁶ In 51 counties, at least one parcel was enrolled in 2007 for taxes to be paid in 2008. In addition, Cass County had no land enrolled in the Green Acres Program, but the county assessor said the program is available and, if any land qualified, it would be enrolled.

⁷ Part of the U.S. Department of Agriculture, the Farm Services Agency (FSA) has local offices in most Minnesota counties and daily interactions with farmers. Although county FSA directors do not work directly with the Green Acres Program, directors we interviewed knew of the program, and many had received farmers’ requests for verification of farm operations to qualify for it.

Farmland Preservation

Part of the rationale for the Green Acres Program is that reduced property taxes allow farmers to continue farming. Especially for farmers with marginal incomes, the tax benefits may improve cash flow to the point that they can continue to farm. But the Green Acres Program is not targeted to lower-income farmers, and data are not available on how many farmers would no longer be able to keep their land in agricultural production if their taxes were not deferred. As stated earlier, statutes do not specifically list farmland preservation as a program goal, but we found that:

- **The Green Acres Program does not effectively preserve farmland because it does not require a long-term commitment, its benefits are small in comparison with the financial gain of selling the land, and it is not targeted to high-quality farmland.**

If preservation is one of the Green Acres Program’s goals, the program would have to change to more effectively achieve preservation. The following section describes why the program’s effectiveness in preserving land is limited.

First, the program neither requires a long-term commitment to the land nor is restricted to regions zoned for long-term agricultural uses. Although the Green Acres Program requires that land be “primarily devoted to agricultural use,” it does not prevent owners from changing uses or dividing or selling the land at any time.

Second, the amount of the tax benefit can be small relative to the increased value of the land, which minimizes the program’s influence on decisions to keep land in agricultural production. As described in Chapter 1, the amount of farm market value sheltered by the Green Acres Program grew far faster than inflation over the last 14 years, in large part because of rapidly rising farmland market values. For example, the market value of an 80-acre farm in the four fast-growing counties north of the metropolitan area has gone from an average \$62,000 to \$520,000 from 1993 through 2007. The average tax benefit for such farms enrolled in the Green Acres Program was about \$1,350 for taxes paid in 2007.

The financial benefits of selling land enrolled in the Green Acres Program typically far outweigh the penalty for leaving the program.

Furthermore, the potential financial gain from selling Green Acres property can be much larger than the amount of property taxes the program reduces, even when the current owners are required to pay back three years of deferred taxes. For instance, the owner of a 76-acre Green Acres parcel in Dakota County would have owed \$905 for three years of deferred taxes had he sold the land in 2007. The payback would be equivalent to just 0.3 percent of the \$305,000 net gain, assuming the owner had bought the land 14 years earlier and the property had increased in value at the same rate as the average farmland value in the county. Even if the owner owned the land since just 2002, the three-year payback would amount to less than a half percent of the sales profit, assuming the rise in value was equivalent to the county’s average farmland values. In a second example of 33 acres, the payback would represent 2.5 percent of the net gain if the parcel was owned for 14 years or nearly 4 percent if owned since 2002 (assuming the parcel’s values increased at the county’s average rates over those periods). In

The Green Acres Program is not targeted to land at risk of being developed.

fast-growing areas, the payback amounts to a very small financial incentive for retaining the property as agricultural.

Finally, the Green Acres Program’s effect on preserving farmland is tenuous because the program is not targeted to land that is necessarily important to preserve. The program is available for any type of farmland, regardless of quality, and affects nonproductive land with poor soils as much or more as it does prime farmland. Nor is the program targeted to land that is free of nearby land-use conflicts or at risk of soon being developed. The Green Acres Program can be found in areas, such as southern and southwestern Scott County, that have seen rising land prices but are unlikely to be developed for years or perhaps decades. Landowners there will continue to receive the tax advantages each year until development approaches, at which time the owners can sell at any point.

Because the Green Acres Program’s effect on farmland preservation is short term and tenuous, the program would have to significantly change to have a lasting impact. Changes such as requiring a longer-term commitment to the land or targeting benefits to high-quality land at risk of development would likely only make small improvements to land preservation. To achieve long-term land preservation, alternate programs would likely be needed.

BENEFICIARIES OF THE PROGRAM

Equity questions arise when some people receive Green Acres Program benefits while others do not and when certain land is eligible but nearby land with similar characteristics is not. Growth in the value of Green Acres Program benefits has given such questions more importance today. We found that:

- **It is unclear whether the Green Acres Program’s goals include benefiting certain landowners and types of land that receive benefits.**

In the following sections, we describe questionable outcomes of the law’s current eligibility requirements and show how the program’s benefits make questioning these outcomes increasingly pertinent.

Who Benefits

It is reasonable to address who benefits from the program because other property owners pay more in taxes to make up for the tax relief that program participants receive. We found that:

- **Beneficiaries include participants who are not farmers and certain properties for which it is unclear that agriculture is the primary use.**

County assessors are required to determine whether applicants meet the program’s statutory eligibility criteria, and they have cases that are minimally eligible. In 23 of the 48 Green Acres counties in our sample, assessors told us about certain landowners, such as those who are not farmers, who meet the law’s legal requirements but may not conform to the law’s goals. Table 2.2 lists the various cases. Nine of the 23 county assessors said the borderline cases were

Table 2.2: Questionable Outcomes of Green Acres Program Eligibility Requirements

Landowners who:

- Are not farmers
- Buy land without homesteading it, hold it for more than seven years, and then develop it^a
- Own small parcels (roughly 10 to 20 acres) used for their residences and hobby farms
- Own parcels with small proportions of productive agricultural land
- Own primarily wooded acres for hunting or other recreational purposes while renting a small proportion of land to grow hay or graze livestock
- Have very high incomes in addition to their land wealth
- Enroll land in a conservation easement program that pays the owner for discontinuing agricultural uses
- Submit dubious income documentation that assessors have no means to verify

^a *Minnesota Statutes* 2007, 273.111, subd. 3(a)(2), requires someone who does not live on the land to possess it for seven years prior to applying for Green Acres benefits. This type of owner would have to own the land for more than 10 years to receive a benefit greater than the amount required to be paid back.

SOURCE: Office of the Legislative Auditor, analysis of data from interviewing county assessors, July and August 2007.

common in their counties, and one of those said there were likely hundreds of such parcels in his county, but we do not have a precise count of the cases statewide.

Questions about who is receiving the Green Acres benefits are especially important because of the growth in the value of the benefits between the early 1990s and today. As we showed in Chapter 1, the amount of farm market value sheltered from property taxes by the Green Acres Program increased from \$0.7 billion in 1993 to \$10.1 billion in 2007.

Four common types of cases that are legal but raise questions involve: investors or others who are not farmers, parcels with small proportions of productive land, land with added values due to aesthetics and recreational demand, and small-acreage farms. First, assessors in counties near the metropolitan area described land investors who have owned property for more than seven years and rent it out for others to farm until they sell the land for development. For example, there are several such parcels in Washington and Wright Counties ranging in value from \$300,000 to over \$5,000,000 that are owned by land developers or others outside farming who pay one-tenth or less of what their taxes would be without the Green Acres Program. For a 38-acre parcel valued at \$2.7 million, the Green Acres Program reduced the property taxes from \$12,928 to \$570. Similarly, for a 26-acre parcel valued at \$816,000, Green Acres reduced the property taxes from \$3,378 to \$340. While owners clearly benefit, some farmers renting the land

Questions about who and what types of land receive Green Acres benefits are important because of the growth in program benefits over time.

argue that they also receive a benefit if the owners lower land-rental prices more than they otherwise would.

A second type of case that raises questions involves landowners who benefit from the Green Acres Program even though most of their acreage is not in agricultural production. The law states that qualifying land must be “primarily devoted to agricultural uses,” but half of the 48 county assessors in our sample reported difficulties determining whether certain properties meet this definition. For instance, a parcel with 10 acres of land in a conservation program that pays the owner to leave the land fallow is eligible for the Green Acres Program. This is because the law on agricultural classification includes land that is at least 10 contiguous acres and has been enrolled in certain conservation programs.⁸ As another example, assessors described cases of 80-acre homesteaded parcels with 10 tillable and 70 wooded acres. Whether such a parcel is primarily agricultural is at question.

For many parcels, the nontillable land is an inseparable part of the farm, making its eligibility reasonable. But there are also parcels where most of the land is nontillable, and the nontillable portion is not productive—not used for crops or livestock grazing—and could be separated from the productive portion, although data are not available to calculate the amount of such land. Giving preferential treatment to such a parcel when similar land that is not attached to a farm does not receive any tax break is a questionable use of public dollars.

Agricultural land that is too rocky, steep, or wet to be tilled can still qualify for Green Acres benefits.

The rapidly increasing demand for nontillable farmland has made it a much larger factor in the Green Acres Program than when the program was first established. In certain counties, nontillable farmland now sells for more than tillable farmland, even if it has little agricultural value, because of its value for hunting and other recreation or as a home in the country. For example, in Houston County, the market value of nontillable land has increased from \$117 per acre in 1993 (one-sixth the value of tillable land at that time) to \$2,900 per acre in 2007 (nearly 30 percent higher than the value of tillable land). Statewide, nontillable land represents 38 percent of the farmland enrolled in Green Acres, although data are not available on what proportion of that is nonproductive land. Nontillable acres represent more than half of the land enrolled in the Green Acres Program for 11 counties, including Morrison, Kanabec, Mille Lacs, Pine, Crow Wing, and Todd counties.⁹

A third type of questionable case involves properties that have increased in value due to their desirability for hunting near wooded acreages or other aesthetic values. Some assessors have questioned whether the Green Acres Program’s objective is to lower taxable values on land that has increased in value due to recreational demands instead of development pressures. They are concerned that the program could shift considerable tax burdens onto nonparticipants because

⁸ *Minnesota Statutes* 2007, 273.13, subd. 23(c).

⁹ For example, in Morrison County, 19 percent of the land enrolled in the Green Acres Program in 2005 was pasture, 18 percent was wasteland, and 14 percent was woodland (which may or may not be productive farmland).

Some county assessors fear that expanding the Green Acres Program would involve so many land parcels that they would have to hire additional staff to administer it.

tax reductions would accrue to many agricultural parcels that provide habitat as hunting grounds. Beyond that, they fear that expanding the program to cover the numerous parcels that could possibly qualify would be an administrative burden that may require additional staff, a proposition their counties disfavor.

Fourth, small farms (10 to 20 acres or so) can also pose difficulties when assessors determine whether a property is “primarily devoted to agricultural use.” Assessors have to decide whether a site is a large residential property or, instead, is being farmed sufficiently to reflect a primarily agricultural use. Only the latter may become eligible. One example is of homeowners living on lakeshore with an additional 11 acres used to raise hay or grasses. While most assessors in the 48 counties we sampled reported that small farms are uncommon in their counties, 12 said that small farms are common and that the small farms are often enrolled in the Green Acres Program.

In addition, the value sheltered from taxation by the program is “invisible” and operates beyond the scrutiny of local government budgets. Once the Green Acres Program is in place, its subsidy to landowners is automatic and not debatable (unlike, for instance, a spending item in a county’s budget), yet it shifts tax burdens among taxpayers.

RECOMMENDATION

The Legislature should clarify in statute who and what types of land should benefit from the Green Acres Program.

In light of the program’s increased benefits over time, and because agricultural lands have increased in value due to recreational and other factors in addition to urban development, the Legislature should reassess whether all lands now eligible for the benefits should continue to be so. As written, the law does not now limit participation to just those who are farmers, own parcels with a large share of productive land, or farm large acreages. Nor is the program limited to just the Twin Cities metropolitan area (Greater Minnesota counties have participated from the beginning). The law requires assessors to avoid considering any added values from nonagricultural factors—it does not specify whether they are to result from development pressures, recreational demands, or any other factor forcing up farmland values. Determining who and what types of land should benefit is a policy decision appropriate for the Legislature.

In setting parameters for eligibility determinations, the Legislature should focus on the cases that now qualify marginally, such as small farms, land with small proportions of agriculturally productive land, land owned by people who are not farmers, or land that increased in value due to recreational demands. The determinations could range from restrictive, where only a core group qualifies, to more inclusive, where anyone within a general group qualifies. For example, regarding small-acreage farms, a more restrictive determination would deny the agricultural classification (and, thus, Green Acres benefits) to any parcel under a threshold number of acres—currently 10 acres—while a more inclusive determination would allow a farm of any size to qualify as long as the owner used the land for agricultural production. Regarding cases where a parcel’s share

Landowners who do not have land in the Green Acres Program pay higher property taxes in their community to make up for lower taxes on enrolled parcels.

of agriculturally productive land is limited, such as when owners build homes in the country surrounded by 9 acres of woods and attached to 10 acres of land rented for haying, a more restrictive determination would grant the agricultural classification to only the 10 tilled acres while denying Green Acres benefits to any part of the parcel. In contrast, a more inclusive determination would grant Green Acres benefits to the full parcel with the exception of the house’s one acre. Regarding land owned by those who are not farmers, a more restrictive determination would limit benefits to only those who live on the farm, actively operate it, or rent it to an immediate relative who operates it. The more inclusive determination would allow anyone regardless of occupation to benefit, as is the case today.

It is important to determine with better precision who and what types of land should benefit from the program because the program’s property tax advantages are much greater today than in the past, and other parcels in the jurisdiction bear higher tax burdens for every parcel enrolled in the program. One downside to changing eligibility requirements without “grandfathering in” current participants would be increased tax bills for program enrollees who could be disqualified as a result of changes to the program.

ELIGIBILITY CRITERIA

Statutes on the Green Acres Program specify eligibility criteria for ownership, income, and land size and use, as described in Chapter 1. Some criteria from four decades ago are still in place today, despite significant changes to the agricultural economy and farming practices. We found that:

- **Certain eligibility criteria for the Green Acres Program are outdated, difficult to implement fairly, or create inequities.**

The most problematic criteria are the minimum income threshold, the agricultural classification of property, and the determination of whether land is primarily agricultural. We discuss each of these in the following sections.

Income

To qualify, applicants must earn from the land at least \$300 plus \$10 for every tillable acre, a standard which has been in place since 1969.¹⁰ For the median size farm in Minnesota of about 160 acres, this means the owner has to produce \$1,900 yearly from the land, or less if the parcel is not fully tillable. Assessors told us this criterion is so low that it allows people to qualify for the Green Acres benefits even though the amount of farming is minimal; two-thirds of assessors in our sample of 48 said the income criterion should be updated to better reflect market rents for productive land. At the same time, the low criterion allows certain farmers, such as those who are retired or relying on Social Security incomes, to continue receiving the tax break. Fourteen of the 48 assessors also viewed the requirement for a minimum of 10 acres in production as inadequate

¹⁰ *Laws of Minnesota* 1969, chapter 1039, sec. 10.

because few farmers could realistically earn a living from only 10 acres. On the other hand, the law does not require landowners to earn their entire living from the enrolled land, and small specialty-crop farms may generate as much farm income as a larger row-crop farm, according to the Department of Agriculture. We found that:

- **Difficulties in verifying that applicants for the Green Acres Program meet the income threshold make the criterion somewhat impracticable and lead to inequities.**

Most often, assessors verify income by requiring a copy of the owners’ “Schedule F” or “E” from their income tax returns.¹¹ Many assessors, however, reported problems with verifying income. For instance, not every farmer files one of the schedules, assessors lack authority to verify income tax data (which is classified as private data), and the schedules do not identify which lands produce income and which do not. Table 2.3 lists the difficulties assessors reported about verifying applicants’ incomes. The difficulties may mean that some people who should be in the program are not, or those who should not be enrolled actually are in the program.

Table 2.3: Difficulties in Verifying That Applicants Meet Income Criterion for Green Acres Program

- Landowners resist having to provide financial information to the property assessor.
- Certain landowners are not required to file income taxes or do not file a Schedule F and may provide only informal documentation.^a
- The Schedule F does not distinguish among which properties produced the income, making verification difficult when farmers own land in multiple areas.
- Assessors have no means to verify veracity of the Schedule F, such as whether the form submitted was actually filed with the applicant’s income tax return.^b
- Certain farmers deal strictly in cash transactions, which are difficult to verify.

^a Farmers file a “Schedule F” with federal income tax forms to report profits or losses from farming.

^b Some of the submitted forms appeared dubious, such as those that were originals, not copies, and were filled in for the precise amount of income the owner needs to qualify for the Green Acres Program.

SOURCE: Office of the Legislative Auditor, analysis of data from interviewing county assessors, July and August 2007.

Some landowners resist having to provide the financial information that property assessors need to verify applicants’ eligibility for the Green Acres Program.

Furthermore, the income criterion is intended to filter out landowners who do not make sufficient agricultural income but does nothing to prevent high-income

¹¹ As a part of federal income tax returns, Schedule F allows a landowner to record profits or losses from farming. Schedule E records income or loss from renting lands.

To be enrolled in the Green Acres Program, land must first be classified as agricultural by the assessor.

landowners from receiving the benefits. The Green Acres tax breaks are available to millionaires as well as subsistence farmers, as long as the owners meet the other eligibility requirements. The law allows this, but some question whether it is reasonable.

Agricultural Classification

Before a parcel can be enrolled in the Green Acres Program, it must first be classified as agricultural property. Property of any other classification is ineligible. Minnesota law defines the agricultural classification, but some county assessors believe that the definitions for classifying land as agricultural need to be more precise.

For classifying land as agricultural, statutes define types of agricultural products, but they do not address how much of each type is sufficient. For instance, bees and apiary products are considered agricultural products, but it is unclear how many acres containing how many bee hives would be sufficient to constitute an agricultural classification.¹² We found that:

- **The law used to classify land as agricultural is subjective and can lead to inequities among individual taxpayers.**

Inequities are also possible between counties when an assessor’s judgment in one county differs from that in another. A landowner we interviewed expressed frustration that neither the local board of review nor a representative from the Minnesota Department of Revenue could explain what was an adequate number of sales or shrubs to define her small nursery as agricultural. Disputes also arise over whether farms of less than 10 acres qualify as “exclusively and intensively used for agricultural products,” as required by law.¹³ For instance, a second landowner told us she questioned the assessor’s decision that her nine acres used for hay, chickens, and a goat dairy were not agricultural. In the Department of Revenue’s October 2007 bulletin on Green Acres, the department acknowledges the subjectivity of interpreting the agricultural classification statute.¹⁴

Land That Is Primarily Agricultural

Once a parcel is classified as agricultural, to qualify for the Green Acres Program, the assessor must find it to be “primarily devoted to agricultural use.”¹⁵ Assessors use their judgment to decide whether, for instance, a 20-acre parcel in the country, consisting of a house on 10 wooded acres with hay grown on the remaining 10 tillable acres, is primarily devoted to agricultural use. Similar to the discussion above regarding classification, we found that:

¹² *Minnesota Statutes* 2007, 273.13, subd. 23(e)(1).

¹³ *Minnesota Statutes* 2007, 273.13, subd. 23(d).

¹⁴ Minnesota Department of Revenue, *Green Acres Bulletin #1* (St. Paul, October 2007), 15.

¹⁵ *Minnesota Statutes* 2007, 273.111, subd. 3(a).

- The law requiring Green Acres land to be “primarily” agricultural is subjective and lacks precision.

The subjectivity opens the door to charges of unfairness for taxpayers and among counties. Another landowner we interviewed, whose application for Green Acres was denied because the assessor determined the land was not primarily devoted to agriculture, was upset because he was turned down even though he met all the criteria on the application form he submitted. In the landowner’s view, he followed all the rules, but local officials did not stand by the rules that were set. Furthermore, some assessors reported that they do not view the “primarily” language as an additional criterion for eligibility. From their perspective, once the land is classified as agricultural, it automatically qualifies for the Green Acres Program (as long as the owner meets ownership and income requirements). In its 2007 bulletin on the Green Acres Program, the Department of Revenue recognizes that determining land’s primary use can be subjective.¹⁶ The department provides guidance and a list of factors, such as income from the productive acres divided by total acreage, that assessors may consider in making the determination. One recommendation is to define land as primarily agricultural only when half or more of up to 80 acres is in agricultural production; for parcels of 80 or more acres, at least 40 acres would have to be in agricultural production.¹⁷

RECOMMENDATION

The Legislature should change the Green Acres law by eliminating the criterion for a minimum income level if it also adds specificity to statutes for classifying property as agricultural and defining land that is “primarily” agricultural.

Eligibility for Green Acres requires agricultural income from the land, but proposals to increase the required amount would create problems.

The existing income criterion does not sufficiently filter out those who are ineligible and is largely unnecessary for most active farmers in primarily agricultural counties. Simply adjusting the income threshold upward would better align the criterion with today’s agricultural economy and might reduce the problem somewhat, but it would also eliminate eligibility for certain farmers who arguably need the benefit more than higher-income landowners. Requiring the threshold to be a certain percentage of total family income would help disqualify some landowners who are not farmers; however, it could also make ineligible those persons who truly farm the land but happen to have spouses who work a second job. Furthermore, Minnesota’s property tax system is largely based on types of properties and land characteristics and values, not who owns them.

Despite its problems, the income criterion provides a basis for determining eligibility. We recommend its elimination only if, at the same time, changes are made to help define what land can be reasonably called primarily agricultural. Additional specificity in the land classification and Green Acres statutes would

¹⁶ Department of Revenue, *Green Acres Bulletin #1*, 4 and 18.

¹⁷ *Ibid.*, 19.

The Department of Revenue should work with farm representatives, assessors, and others to recommend to the Legislature specific standards for defining property as “primarily” agricultural.

clarify for the taxpayer what is and is not allowed and make the criteria more workable for assessors. It would provide more objective standards for determining whether a landowner manages sufficient numbers of livestock or other nondomestic animals or maintains a sufficient proportion of productive farmland to qualify. The Department of Revenue’s list of factors for determining whether land is primarily agricultural is a step in the right direction. But the department does not offer more specific standards. Working with assessors, farm service agencies, and other stakeholders, the department should recommend standards, such as proportions of productive land and animal units per acre, needed to qualify as primarily agricultural. Such standards should be explicit but may have to vary by region of the state to accommodate differences in farming practices. Ultimately, the Legislature should review the recommended standards and change statutes as necessary to reflect the revised definitions.

In light of the Department of Revenue’s plan to begin statewide implementation of the Green Acres Program for the assessment of taxes in 2009, it is possible that landowners newly eligible in 2009 would be found ineligible if a more stringent definition of “primarily” agricultural replaced the income criterion. If that possibility is widespread, it would be reasonable to delay statewide implementation of Green Acres until the criteria are more clearly defined. Furthermore, newly defined criteria would require changes to the application form used to determine eligibility for the Green Acres Program. They would also likely require assessors to take additional steps to verify that applicants meet whatever new thresholds are set.

IMPLEMENTING AND ADMINISTERING GREEN ACRES

We analyzed whether counties are consistent in the implementation and administration of the Green Acres Program. Variation from county to county and within a county can be important because it can affect whose taxes the program reduces and to whom the tax burden shifts. We also reviewed the Department of Revenue’s strategy for improving consistency, and we found that:

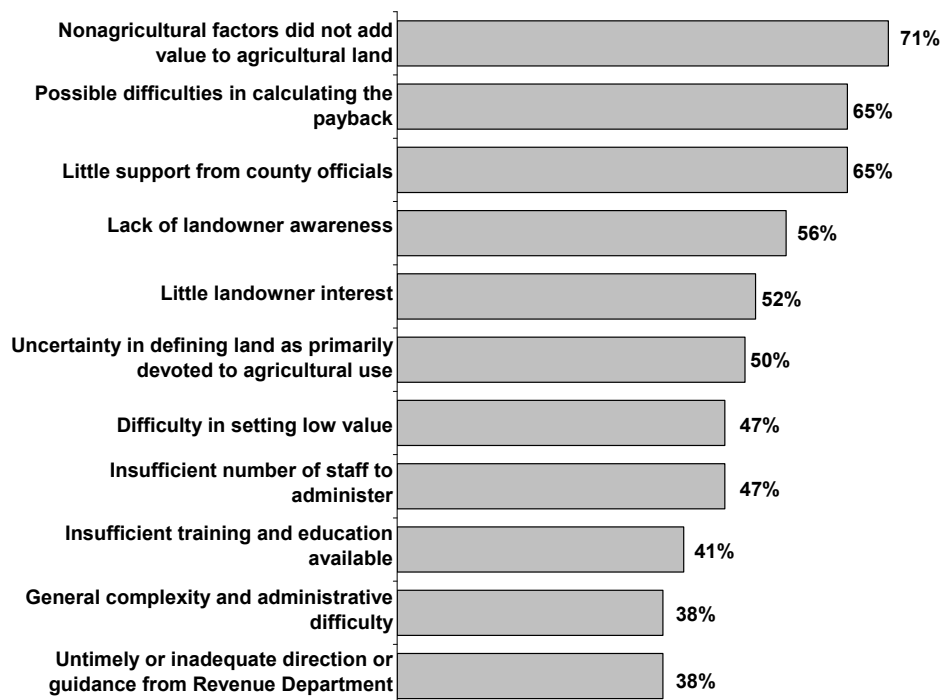
- **Not all counties that could have implemented the Green Acres Program have done so, and administration of the program is inconsistent among those that have, which may result in unequal tax burdens. The Department of Revenue’s efforts to make the program more consistent will help but can be improved.**

Beyond the availability of the Green Acres Program, counties vary in how they define land as “primarily” agricultural, whether or not they verify applicants’ income, how they treat special circumstances (such as land owned by multiple owners), how they inform landowners about the program, and their payback procedures. The following sections describe the variation as well as efforts by the Department of Revenue to make the program more consistent statewide.

Availability of the Green Acres Program

As we stated earlier, 35 counties had not implemented Green Acres by mid-2007. Because some nonparticipating counties have nonagricultural factors influencing agricultural lands, certain landowners there are not receiving the tax benefits to which the law entitles them. In most counties with little or no acreage enrolled in Green Acres, assessors reported that nonagricultural factors have not substantially influenced agricultural land values. For other counties with no Green Acres enrollment though, the key reasons for not having implemented the program included little support for the program from county officials, expected difficulties in calculating the payback when Green Acres land is sold, and insufficient staffing to handle the added work. Figure 2.1 shows how assessors explained why the program had not been implemented as of 2007.

Figure 2.1: Reasons for Not Implementing Green Acres Program, as Reported by Assessors, 2007



NOTES: The survey question read, “How significant are the following reasons why the Green Acres program was not implemented within your county as of 2007?” This figure depicts the percentage of assessors responding “very significant.” Respondents could mark multiple answers. The number of county assessors responding was 34 out of 35 respondents, except for the response on landowner interest, to which 33 assessors responded.

SOURCE: Office of the Legislative Auditor, analysis of data from surveying county assessors, July 2007.

The law requiring land to be “primarily” agricultural is applied differently from county to county.

Land That Is Primarily Agricultural

Statutes require Green Acres land to be devoted “primarily to agricultural use,” and as described earlier, this determination requires assessor judgment, especially in the cases of small parcels, hobby farms, and land with low proportions of productive acreage. We learned that assessors deal with the issue differently, which means that landowners found eligible in one county may very well be found ineligible in another. In some counties, as long as the owner has land classified as agricultural, the assessor will consider the land to be primarily in agricultural use. In others, assessors take additional steps to determine the primary use, such as calculating tillable acres and agricultural animal units expressed in acre equivalents or evaluating whether income generated from the land is incidental or sufficient to support living there. In still other counties, questions do not arise about whether land is primarily agricultural because all of the farms are large and have predominantly tillable tracts.

Verification of Income

Counties are not uniform in whether they verify applicants’ agricultural income, but the lack of consistency only becomes a problem when it can lead to inequities. This could occur in counties with farms of small size where the adequacy of income from agricultural production may be in question or in counties with high participation rates where the assessor does not have personal knowledge of each applicant’s circumstances. On the other hand, in the parts of counties with large farms in production on predominantly tillable acreages, verifying the amount of agricultural income is unnecessary because all applicants would unquestionably exceed the income threshold. In our sample of Green Acres counties, eight assessors reported that they do not verify applicants’ income or they rely on the applicants’ signed statements, and three of them were counties with either numerous small farms or moderate to high participation rates. Verifying agricultural income has problems, as noted earlier, but beyond that, inconsistency in who is verified within a county may lead to unequal treatment for similar applicants. Some county assessors require documentation of all applicants’ agricultural income, some require it only if they have questions about a particular property, and others require no verification at all; only this latter group is a cause for concern. Table 2.4 shows the different approaches.

Most assessors do not reverify landowners’ income over time, as Table 2.4 illustrates. Because the income threshold is so low, many assessors view reverifying income as necessary only when the property is divided or sold.

Multiple Ownership and Split Classifications

Variation is unwarranted in counties’ decisions on verifying eligibility for properties owned by multiple owners. Because these decisions determine who will and will not receive the tax benefits, they are important. Figure 2.2 shows that some assessors allow multiple owners to receive the benefit as long as one owner qualifies, while others prohibit this, and still others give the qualifying owner a pro rata share of the benefit.

Some assessors require documentation of all applicants’ agricultural income, some require it only in certain situations, and others require none at all.

Table 2.4: Counties’ Methods for Verifying Agricultural Income Reported on Green Acres Applications, 2007

	Number of Counties	Percentage
<u>Method</u>		
Require tax return information or rental lease agreement	23	48%
Require written documentation, such as receipts of sales	8	17
Take the owner’s word but require a Schedule F if property’s eligibility is questionable	6	13
View the land or speak with the owners	3	6
No additional documentation beyond a signed application form	3	6
Do not verify income	3	6
Not applicable	<u>2</u>	<u>4</u>
Total	48	100%
<u>Reverification Over Time</u>		
Do not reverify income ^a	25	52%
Reverify when land is divided or sold or the assessor questions the owner’s use of the land	13	27
Reverify periodically	4	8
Annual verification	3	6
Not applicable	<u>3</u>	<u>6</u>
Total	48	100%

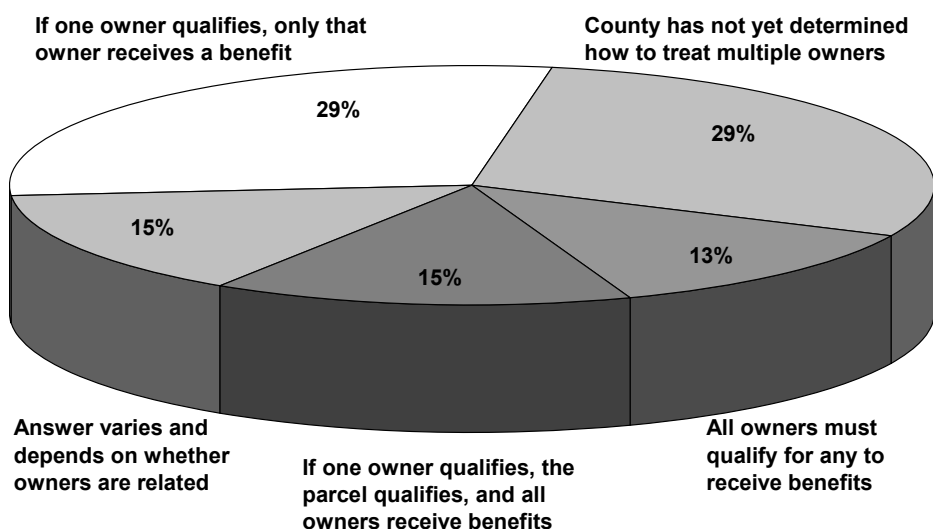
NOTES: Data represent a sample of 48 counties with land enrolled in the Green Acres Program as of 2007. Percentages may not sum to 100 due to rounding.

^a In 4 of the 25 counties, assessors said they had no need yet to reverify income because the program began within the last two years.

SOURCE: Office of the Legislative Auditor, analysis of data from interviewing county assessors, July and August 2007.

Counties also differ in the use of split classifications, where an assessor classifies one portion of the parcel as residential and the other as agricultural. Based on our interviews, 21 of 45 assessors (47 percent) do not allow parcels to have split residential-agricultural classifications. At the same time, about 38 percent of our sample of counties with Green Acres allow residential-agricultural split classifications, even if for only a few properties, and the properties can become eligible for Green Acres tax benefits. Another 16 percent allow split classifications but consider these properties ineligible for Green Acres, typically because the parcels are small and viewed as being primarily residential. We believe that county practices on this matter should be consistent.

Figure 2.2: Counties’ Practices Regarding Green Acres Eligibility of Parcels Owned by Multiple Owners, 2007



NOTES: Data represent a sample of 48 counties with land enrolled in the Green Acres Program as of 2007. Percentages do not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of data from interviewing county assessors, July and August 2007.

In some counties, assessors provide information on the Green Acres Program only when landowners request it.

Informing Landowners about the Program

County assessors vary in how they inform landowners about the Green Acres Program. Lack of awareness may lead to lower participation than would otherwise be the case. In our view, the variation tends to be reasonable except in a small number of counties where there has been little effort to provide information. As Table 2.5 shows, five counties out of our sample of 48 have low participation rates—with up to 13 percent of farm acres enrolled—in the program, and assessors there provide program information only when landowners request it. Such a practice is more reasonable in counties that already have an established Green Acres Program and high participation. The Department of Revenue’s role in informing landowners has been limited to posting program information on its web site and answering queries that cannot be resolved at the county level.

Payback Procedures

Inconsistency arises over whether the buyer or seller is responsible for the payback of taxes when Green Acres land is sold. This is a problem when owners expect payback requirements to be the same across county boundaries. Most often the seller is responsible for paying the deferred taxes; but in some counties, a delay in the process prevents this from happening. Assessors in some counties

Table 2.5: County Efforts to Inform Landowners about Green Acres Program, by Rate of Acres Enrolled, 2007

	Low Enrollment ^a		Moderate to High Enrollment ^a	
	Number of Counties	Percentage	Number of Counties	Percentage
Contacts each individual owning agricultural land in the area designated for Green Acres	19	76%	5	22%
Provides information upon request	5	20	3	13
Mails notice to all agricultural landowners in the county	1	4	5	22
Initially sent letters to all agricultural landowners but now notifies only those potentially eligible	0	0	8	35
Provides information in local newspapers and county newsletters	<u>0</u>	<u>0</u>	<u>2</u>	<u>9</u>
Total	25	100%	23	100%

NOTES: Data represent a sample of 48 counties with land enrolled in the Green Acres Program as of 2007. Many counties also reported that they provide Green Acres information to local government officials. Percentages may not sum to 100 due to rounding.

^a Low enrollment includes counties with 0.01 up to 13 percent of deeded farm acreage in the Green Acres Program, and high enrollment includes all other counties (those with a minimum of 13 percent).

SOURCES: Office of the Legislative Auditor, analysis of data from surveying county assessors, July 2007, and data from the Department of Revenue's 2007 Spring Mini Abstract.

Owners who sell their Green Acres land are typically required to pay back three years worth of tax reductions, but calculating the amount to be paid back is very difficult when the land is split and sold off piece by piece.

reported that if the county does not become aware of the sale at the time of purchase, the deferred tax is viewed as a lien against the parcel, meaning the new buyer must pay it. Under these circumstances, new owners receive an unexpected tax bill. Other counties have avoided this by working with closing agents and real estate attorneys to make them aware of the need to have responsibility for the payback determined at the sale's closing.

Although counties vary in the procedures they follow for calculating paybacks, the variation is not a problem as much as the difficulty of making the calculation. Assessors in our sample most frequently said that especially when a parcel is split and sold off piece by piece, the complexity of Minnesota's property tax system makes the payback calculation complicated and very time consuming. Oftentimes counties' information technology systems have been programmed to help with the calculation, but some county assessors reported that their automated systems are not failsafe or useful when especially complex transactions occur. Besides the large administrative burden, the complexity can lead to errors. While we do not have a count of such errors, we learned anecdotally about situations where a payback was made on an entire parcel even though only part of it sold.

The Department of Revenue issued a 2007 bulletin to help implement the Green Acres Program statewide.

Department of Revenue Efforts

To address a lack of uniformity in the administration of the Green Acres Program, the Department of Revenue issued a Green Acres bulletin in October 2007.¹⁸ The bulletin describes the department’s approach for implementing the program statewide and offers guidance to assessors dealing with issues that the law fails to make clear. We found that:

- **The Department of Revenue’s recent bulletin addresses many of the inconsistencies involved with administering the Green Acres Program, but its method for valuing nontillable farmland does not adequately reflect differences in such land across the state.**

In the bulletin, the department gives specific directions for classifying a parcel that has both residential and agricultural uses and recommends against splitting its classification between the two uses when it has sufficient agricultural activities. It recommends that assessors require appropriate evidence of agricultural income from all applicants, regardless of whether the assessor personally knows an applicant. It specifies how assessors are to determine whether parcels under ten acres qualify for the agricultural classification. The department also outlines decision steps assessors should take before concluding that an applicant qualifies for the Green Acres Program. As part of this, the department offers a list of factors to help assessors determine whether land is “primarily” agricultural. In the near future, the department expects to add three more bulletins, one dealing with the application process, a second on communications about Green Acres, and a third on tax calculations and payback mechanisms.

The department is using sales of farmland that is free of nonagricultural influences in five counties as a base to set the agricultural-use values on Green Acres land in the rest of the state.

To overcome difficulties assessors found in setting agricultural-use values for Green Acres land, the department describes in the bulletin a method to be used in all counties. The law says that qualifying land should be valued solely according to its agricultural value—based on sales of land with similar agricultural characteristics.¹⁹ Because the Department of Revenue believes there are now insufficient farmland sales free of nonagricultural influences on which to base agricultural-use values, it developed an alternative method. The method uses sales of tillable farmland from 1990 through 1996 in five southwestern Minnesota counties to establish a base for an agricultural-use value that is free of nonagricultural influences. The base is compared with the median sales price of farm acres from that same time period in each county. The ratio from this comparison is used to calculate what current values are likely to be. That is, if a county’s own median farmland sales from 1990-1996 were 110 percent of the base from that time period, then today the county would set its average agricultural-use value at 110 percent of current median sales prices in the five base counties.

¹⁸ Department of Revenue, *Green Acres Bulletin #1*, 9-11.

¹⁹ [Minnesota Statutes](#) 2007, 273.111, subd. 4.

While most county assessors in counties with Green Acres land reported that they find this method provides reasonably acceptable valuation estimates for tillable land, the method is less useful for nontillable land.²⁰ Usable data on sales of nontillable land were not as common, and the department’s process did not yield definitive results for nontillable land. Consequently, the department opted for an alternative method that it admits has problems but at least provides a uniform basis for valuation. All nontillable land is to be divided into one of two categories: (1) productive land, such as meadow and grasslands used for grazing, and (2) nonproductive or wasteland, which includes steep slopes, dense stands of trees, or other conditions that make it unsuitable for grazing or other agricultural uses. The nontillable *productive* land will be valued for Green Acres purposes at 50 percent of the agricultural-use value for tillable land in a county. The wasteland will be at 25 percent of tillable acres’ values.

Essentially, the department’s alternative method creates a single statewide ratio that is used to calculate agricultural-use values for nontillable lands in every county. In many counties, assessors view the results of applying the ratio as acceptable approximations of their agricultural-use values. But elsewhere, county assessors view the results as unacceptable for nontillable acres.

There is no single, clearly acceptable method for estimating agricultural-use values for Green Acres land.

We recognize that there is no single, clearly acceptable method for estimating agricultural-use values for land in areas where nonagricultural factors drive up farmland values, but we think the relationships between tillable and nontillable lands differ enough across the state that using one statewide ratio is not realistic. The department acknowledges that the values for nontillable land derived by the new methodology are imperfect. In some cases, the values derived from the new method are much lower than the agricultural-use values determined by assessors. For example, in several north central Minnesota counties, the average agricultural-use value under the new methodology for nontillable productive land would be about half the current agricultural-use value.²¹ In counties where the agricultural-use values for some nontillable land are roughly equivalent to those for tillable land, as in these north central Minnesota counties, following the department’s method will force counties to substantially lower values for nontillable acres. In turn, this would mean offering the Green Acres benefits to virtually all landowners with nontillable acreage, thereby shifting the property tax burden to others.

RECOMMENDATION

The Department of Revenue should continue its efforts to make the Green Acres Program more consistent statewide. At the same time, it should make some changes including modifying its statewide approach for valuing nontillable land in the program.

²⁰ A small number of counties, including Olmsted and Rice, reported that the department’s method resulted in excessively low values for both tillable and nontillable land.

²¹ Conversely, in some south central counties, assessors reported that the new method derives values for nontillable land that are much higher than current agricultural-use values.

The Department of Revenue should define acceptable practices for informing landowners about the Green Acres Program.

In its October 2007 bulletin, the Department of Revenue advised assessors to require every applicant to document agricultural income, which is overly rigid given that verifying income is unnecessary for large parcels that are predominantly tillable and in production. Earlier we recommended replacing the income criterion; but if the current criterion remains in place, the department should focus recommendations for income verification on those cases with questionable income from agricultural production. In its forthcoming bulletins, the department should include guidance on the circumstances under which assessors need to reverify agricultural income and describe acceptable practices for informing landowners about the Green Acres Program. Furthermore, the department should provide additional specific guidance to determine whether uses of land are primarily agricultural, which may require statutory changes as we recommended earlier.

In addition, the department should consider a method for valuing nontillable Green Acres land that better recognizes differences across the state in nontillable land values. Generally, the values for nontillable land relative to tillable land increase from the southern to northern parts of the state, as the quality of the tillable land recedes and the use of nontillable land for grazing increases. One possible method is to set the agricultural-use value for nontillable land near 100 percent of the agricultural-use value for tillable land in north central counties and gradually decrease it elsewhere until it reaches 50 percent of the tillable land values in southern counties. Using this as a starting point, the department’s regional representatives should work jointly with county assessors to determine agricultural-use values for nontillable land that are appropriate to the markets in their regions. The values may have to be “blended” even within a region to reflect actual agricultural-use values. This type of collaboration does not represent a departure in practice for those county assessors who reported that they already work with other counties to set agricultural-use values when they have inadequate numbers of agricultural land sales within their individual counties.

The method for setting values on nontillable Green Acres land should better reflect differences in land values around the state.

Our approach would replace the department’s single, statewide ratio between values of tillable and nontillable land with ratios that better reflect the actual relationships between tillable and nontillable land in different parts of the state. Generally speaking, the result of this process in certain northern counties would produce higher agricultural-use values for nontillable productive land relative to tillable land. These ratios of value would gradually decrease as one proceeded toward the southern counties where one is more likely to find much lower agricultural-use value for nontillable than tillable land. The difference in nontillable land values between the north and the south would be lower than under the department’s method, thereby requiring less blending of values to produce the equalization that is the department’s objective.

Green Acres Applications Denied

Most county assessors keep records of the reasons why they deny Green Acres applications, but a few do not; some have not received any applications that were ineligible. We reviewed applications in six of the ten counties that had denied at

least seven applications in 2006 and maintained records of denied applications.²² In reviewing applications, we found that:

- **County assessors denied eligibility to only a small percentage of landowners who submitted written applications for the Green Acres Program in 2006, and the basis for the denials was generally reasonable.**

Based on our review, nearly all applications were denied because the applicant was clearly ineligible for one or several objective and straightforward reasons. Most commonly, applicants were denied because they either had insufficient agricultural income or they failed to provide evidence of their agricultural income (such as a Schedule F filed with income tax forms). A small number of cases were denied solely because the assessor had deemed that the property was not “primarily devoted to agricultural use,” which requires the assessor to make judgment calls. Based on information in the files, we believe these judgments appeared reasonable. Yet one landowner we interviewed could not understand why his application was denied when the information he supplied appeared to meet all the program’s criteria. Unbeknownst to him, the decision regarding “primarily” agricultural land was made independent of the information on the application form.

²² Some assessors have no records of denying applications because, instead of completing applications, landowners decide against applying after speaking with the assessor who describes the minimum acreage and agricultural income levels.

Programs to Preserve Agricultural Land

SUMMARY

Minnesota's primary state programs for preserving agricultural land can help control the shape and pace of development but do not adequately preserve farmland for the long term. The number of acres enrolled in the preservation programs is small and has been declining since the late 1990s. In most of the nine counties with land enrolled, local officials indicated that the preservation programs were beneficial, but several noted that their counties or cities would likely have developed very similarly without the program's tax incentives. Besides low enrollment, the programs' effectiveness is limited because their tax benefits are small relative to the potential gain from selling the land. Furthermore, relatively few local governments participate overall, and participants may terminate the preservation commitments after eight years. A small number of agricultural preserves were terminated even before the eight-year waiting period, but no agency is charged with overseeing this. The Legislature should supplement the programs with alternative strategies if it wishes to preserve land for the long term, and it should improve current programs by specifying responsibility for enforcement. In addition, some of the natural resource conservation projects funded by revenues generated via the land preservation programs may not meet a strict interpretation of the uses allowed in law. The Legislature should define unallowable activities more specifically if it concludes that such projects are inappropriate.

Minnesota's two agricultural land preservation programs share important features with the Green Acres Program, as Chapter 1 described, but they have a longer-term focus. This chapter analyzes the Metropolitan Agricultural Preserves Program in the Twin Cities and the Agricultural Land Preservation Program in Greater Minnesota. Specifically, we address the following questions:

- **How well have the agricultural land preservation programs worked to preserve land for farm uses?**
- **How have the dollars raised as part of the agricultural land preservation programs been spent, and who oversees that spending?**

To answer these questions, we studied state statutes and background materials on the land preservation programs. We analyzed data from the Department of Revenue on tax credits and acreage and value of land enrolled in the land preservation programs. We interviewed representatives of the Department of Agriculture and the Metropolitan Council. We also interviewed county and municipal officials in the nine counties where the two programs operate. From four of these counties, we received data to analyze the number of covenant renewals and terminations. Using a sample of six counties that do not participate

in the programs but share similarities with counties that do, we studied land-use ordinances and interviewed planning and zoning officers and other local officials. For information on counties’ conservation accounts, we interviewed heads of the organizations that spend conservation-account money.

EFFECTIVENESS OF THE LAND PRESERVATION PROGRAMS

For individual landowners deciding whether to keep agricultural land or sell it for other uses, many factors come into play, such as the strength of the agricultural economy, the local land market, the owners’ interest in continuing to farm, and the owners’ age relative to retirement. Participation in one of the land preservation programs may also be a factor. As described in Chapter 1, the programs’ goals include maintaining productive farm operations in the metropolitan area, preserving farmland, and encouraging the orderly development of rural and urban land uses. In analyzing the two programs designed to preserve agricultural land, we found that:

- **The Metropolitan Agricultural Preserves Program and the Agricultural Land Preservation Program in Greater Minnesota can help shape development and slow its pace, but they are not adequate to preserve farmland for the long term, particularly in areas facing development pressures.**

We spoke with county and municipal officials about the programs’ impacts on development. We also examined data on the loss of farmland to other uses and analyzed factors that could limit the effectiveness of the programs, including competing financial incentives, acres enrolled, local government participation, and the duration of farmers’ and local governments’ commitments to preservation. The following sections describe first the programs’ impacts on development, followed by farmland loss and limitations on the programs’ effectiveness.

Impacts on Development

Minnesota’s agricultural land preservation programs do not stop land development, but they can help keep agricultural areas from urban encroachment. We found that:

- **The agricultural land preservation programs can help shape development or slow urban growth.**

Among local officials we interviewed, many described preservation programs as a positive “tool in their toolbox” to support agricultural land policies. They view the programs as a means for staging or slowing down the rate of development and an incentive for farmers to continue to farm. As long as the agricultural preserve stays in place, it helps farmers remain in farming and prevents land development. Beyond that, certain county representatives said that the program prevents cities from annexing township land and helps contain urban sprawl. With their requirements for zoning land for long-term agricultural uses, the

In general, county and municipal officials described the agricultural land preservation programs as a useful tool that supports their local farmland policies.

Local officials' commitment to retaining farmland can be as important as a land preservation program.

programs allow for orderly development instead of “scattered site” development with conflicts arising between residential dwellers and nearby farms. Some county representatives reported that the programs also keep townships’ public-service delivery costs low because the agricultural preserve areas do not receive paved roads, sewer and water systems, and similar urban amenities.

At the same time, many local officials we interviewed (including supporters of the program) believe that, lacking the preservation programs’ financial benefits, their counties or cities would not likely have developed much differently. They view the programs as reinforcements that buttress local strategies to preserve agricultural land but said that factors such as local elected officials’ commitment to preservation are as important. In Greater Minnesota, county representatives also mentioned that the amount of the tax advantage is relatively small and has not kept pace with the changing agricultural economy.

The programs’ impacts are most obvious in areas that face strong development pressures but have the largest number of acres enrolled—Carver County and southern Dakota County. A partial indication of the program’s effectiveness in preserving farmland is the rate of farmland loss over time, which is discussed below. The programs’ overall effect on development patterns or on land preservation is likely to be limited by: competing financial incentives, low enrollment, low participation by counties in Greater Minnesota, and the limited duration of development restrictions. We discuss these below, following a summary of the trend in declining agricultural acreage.

Loss of Farmland

Counties have lost farmland for a variety of reasons, including population growth, increased demand for large-lot residential development in the country, and increased demand for farmland for recreational purposes. In analyzing how much land remains in agricultural use over time, we cannot isolate the effect of the farmland preservation programs amidst the many economic and market factors in play. In addition, market forces often differ from one county to another, making comparisons of farmland losses difficult. Furthermore, the agricultural land preservation programs cannot realistically be expected to fully stop the conversion of farmland to other uses. Data on farmland losses are an incomplete measure of the success of Minnesota’s agricultural land preservation programs because they do not account for the programs’ impacts on shaping development. Notwithstanding these difficulties, we examined the trend in farmland losses as a partial indication of the programs’ impact on land preservation. Table 3.1 shows for 1982 through 1997 (the most recent period for which comparable data are available) that rates of farmland losses in the Twin Cities metropolitan area were far greater than elsewhere.¹ Among the three Greater Minnesota counties with land enrolled in the Agricultural Land Preservation Program, Wright County lost about 6 percent of farmland during

¹ Property tax assessment data for the more recent period of 1998-2007 show similar trends in farmland loss. However, for certain individual counties, the property tax data show greater rates of loss, and it is unknown how much of that is due to actual losses or changes in assessment practices.

Table 3.1: Farmland Loss in Counties with Land Enrolled in Agricultural Land Preservation Programs and in the Rest of the State, 1982-1997

	Farmland Acres (thousands)		Percentage Loss
	1982	1997	
Anoka	77	57	26%
Carver	188	167	11
Dakota	258	210	18
Hennepin	103	73	29
Scott	153	137	10
Washington	152	123	19
Waseca ^a	246	244	1
Winona ^a	231	227	2
Wright	294	278	6
Twin Cities metropolitan area	939	769	18
Greater Minnesota	25,959	25,623	1
Statewide	26,897	26,392	2%

NOTES: Farmland includes cultivated and uncultivated cropland, pastureland, and Conservation Reserve Program land. Because the data are based on sampling, the final results are more statistically conclusive for regions and the state than for individual counties. More recent comparable data are not available. Property tax assessment data for the more recent period of 1998-2007 show similar trends in farmland loss for some counties but show greater rates of loss for other counties, and it is unknown whether that is due to actual losses or changes in assessment practices.

^a Statistical uncertainty about the data for Waseca and Winona counties means that farmland loss there is inconclusive.

SOURCE: Office of the Legislative Auditor, analysis of data from the National Resources Inventory compiled by the U.S. Department of Agriculture's Natural Resources Conservation Service.

Loss of farmland in most counties that participate in the agricultural land preservation programs suggests that the programs' impacts on preserving land are limited.

that period. Statistical uncertainty about the data for Waseca and Winona counties means that farmland loss there is inconclusive for those years.

In Chapter 1, we showed that the Twin Cities metropolitan area and Greater Minnesota lost farmland between 1982 and 1997. This includes seven of the nine counties that participate in the agricultural preservation programs, while data for the remaining two (Waseca and Winona counties) show small losses but are statistically inconclusive. In the metropolitan area, six of the seven counties participate in the Metropolitan Agricultural Preserves Program; but as a group, they lost 18 percent of their farmland between 1982 and 1997, compared with 1 percent for Greater Minnesota. Even Carver County, which has the largest enrollment in agricultural preserves, lost 11 percent of its farm acres in that period. While an incomplete measure, the data on farmland loss suggest that the land preservation programs' impacts on preserving land are limited amidst the economic forces and other factors we discuss below.

Competing Financial Incentives

Particularly in the metropolitan area, development pressures have inflated property values, and land sales have resulted in housing and commercial developments and other land uses at the expense of farmland. In the midst of these economic forces, programs to preserve farmland are likely to have a limited effect because:

- **The financial benefits of the agricultural land preservation programs can be small relative to financial gains available when farmland is converted to other uses.**

Even though the agricultural preservation programs offer nonfinancial benefits, such as protections from annexation described in Chapter 1, their financial benefits can be small in comparison with the financial gain landowners may receive from selling their land. In the Twin Cities area, the Metropolitan Agricultural Preserves Program offers two financial advantages over the Green Acres Program—the \$1.50 per acre credit and no requirement to pay back three years worth of deferred taxes should the land be developed. But both of these are small relative to the \$59 per acre average tax benefit received by Green Acres landowners in the Twin Cities. Plus, in Greater Minnesota, the program does not lower the taxable value of the land and offers just \$1.50 per acre per year for an eight-year farming commitment. These benefits are small compared with increases in farmland values. Between 1997 and 2007, estimated market values for farmland increased by an average of \$8,100 per acre in the Twin Cities area and by over \$1,400 per acre in Greater Minnesota. Due to the high market values, landowners may not want to postpone the option of selling their land for development.

Between 1997 and 2007, estimated market values for farmland increased by an average of \$8,100 per acre in the Twin Cities area and \$1,400 per acre elsewhere.

At the same time, lands enrolled in the agricultural land preservation programs are not charged when local governments use special assessments to pay for public improvements. In some areas, the financial benefit of avoiding those special assessments can be significant, but statewide data are not available on the extent of special assessments near agricultural preserves.

Acres Enrolled

Another factor that limits the effectiveness of the agricultural land preservation programs is the lack of farmland enrolled in the programs overall. We found that:

- **The number of acres enrolled in the agricultural land preservation programs is small in nearly all participating counties and has been declining in all of them.**

As we showed in Chapter 1, the Metropolitan Agricultural Preserves Program enrolls 25 percent of farmland in the Twin Cities area. Only Carver County has more than one-third of its farmland enrolled in the program (56 percent). In Greater Minnesota, Waseca enrolled 33 percent of its farmland, but Winona and Wright counties enrolled less than 15 percent.

Enrollment in the agricultural land preservation programs peaked in the late 1990s.

In addition, the number of acres enrolled in these preservation programs has been declining in all nine participating counties, as Table 3.2 illustrates. As we discussed in Chapter 1, enrollment reached its peak in the late 1990s, but has steadily declined over the last decade. One reason for the declining enrollment is the programs’ small financial benefit relative to the gains of selling the land, as discussed earlier.

Table 3.2: Land Enrolled in Agricultural Land Preservation Programs, from Peak Enrollment to 2007

	Enrolled Acres		Percentage
	1998	2007	Loss
<u>Metropolitan Agricultural Preserves</u>			
Anoka	2,938	1,816	38%
Carver	102,554	93,727	9
Dakota	64,818	59,803	8
Hennepin	13,377	10,496	22
Scott	8,475	7,185	15
Washington	<u>10,285</u>	<u>9,053</u>	12
Twin Cities metropolitan area total	202,447	182,080	10%
<u>Agricultural Land Preservation</u>			
Waseca	84,139	82,989	1%
Winona	42,029	41,062	2
Wright	<u>11,456</u>	<u>9,158</u>	20
Greater Minnesota total	137,624	133,209	3%
<u>Both Programs</u>			
Statewide	340,071	315,289	7%

NOTE: Overall, enrollment peaked in 1998, but it peaked between one and five years earlier in Anoka, Hennepin, Scott, Washington, Winona, and Wright counties.

SOURCES: Office of Legislative Auditor, analysis of: data from the Minnesota Department of Revenue’s 2007 Spring Mini Abstract; conservation account data from the Department of Revenue; and the Land Economics database maintained by the University of Minnesota, Department of Applied Economics.

Carver County has the highest enrollment in agricultural preservation programs combined with strong land-use controls for township land. However, most Carver County municipalities with land enrolled saw enrollments peak in 1998 or earlier and generally decline since then. Beyond that, the county lost about 11 percent of its farmland acres between 1982 and 1997. Its losses are smaller than those in most other metropolitan area counties, but they reflect how hard it is for preservation programs to overcome economic forces in the Twin Cities area. Moreover, it is not clear how much of the successful agricultural preservation in Carver County is attributable to the Metropolitan Agricultural Preserves Program’s financial benefits, the county’s strong land-use controls, or the preservation commitment of its local officials.

Local Government Participation

A third factor that limits the effectiveness of the agricultural preservation programs is low participation by local governments in Greater Minnesota. As described in Chapter 1:

- **Only Waseca, Winona, and Wright counties have ever had land enrolled in the Agricultural Land Preservation Program in Greater Minnesota.**

It appears unlikely that participation will expand, both because of the program's minimal financial benefits and because nonparticipating counties have adopted other controls to manage farmland.

We interviewed county representatives in a sample of six counties that do not participate in the land preservation programs.² In our sample, county officials for the most part indicated little interest in extending the Agricultural Land Preservation Program to their residents or said that their own planning and zoning initiatives were sufficient for their needs. At the same time, however, Stearns County officials have recently proposed that the county consider participating in the Agricultural Land Preservation Program.³ Because the topic was still under discussion in early 2008, it was unclear whether the proposed change would be adopted and how it would affect Stearns County, which already has in place zoning ordinances designating lands for long-term agricultural use.⁴

Most of the six counties in our case studies that do not participate in the Agricultural Land Preservation Program indicated little interest in the program because they have adopted local controls to protect farmland.

Counties not involved with Greater Minnesota's land preservation program use planning, zoning, and other development controls to prevent the conversion of farmland to other uses, but these methods do not necessarily preserve farmland for the long term and may produce unintended results. In general, counties and plans we reviewed show concern for preserving farmland. Our analysis of comprehensive plans in the six sample counties indicates that all six have designated agricultural zones, although Chisago County has no land within its agricultural district and is considering lowering the required number of acres for such a district. Four of the six counties restrict densities to no more than 1 dwelling per 40 acres.⁵ Three of the counties control the development of agricultural land with policies that permit development only on land with lower

² Most Minnesota counties have adopted comprehensive land-use plans to guide development, but our sample contained six that have large amounts of agricultural property and also face significant development pressures: Chisago, Kandiyohi, Morrison, Olmsted, Rice, and Stearns counties.

³ Stearns County Environmental Services, *Stearns County Draft Comprehensive Plan Update*, 7-27, www.co.stearns.mn.us/Government/6129.htm, accessed December 12, 2007.

⁴ Stearns County has designated three agricultural zones with zoning densities of 1 dwelling per 160 acres, 1 per 80 acres, and 1 per 40 acres, respectively. In contrast to the county, many rural townships there have expressed interest in changing their zoning requirements to encourage development. If the county adopts its draft comprehensive-plan update, the agricultural preservation measure would not prevent development but could likely slow down the development process, according to a Department of Agriculture official.

⁵ One of the four allows a second dwelling unit in special circumstances, such as when the parcel contains an abandoned farm homestead site.

quality soil conditions. Some counties allow owners to transfer development rights from their land to elsewhere in the county; once development rights have transferred from a parcel, that parcel is restricted to agricultural and open space. These various land-use controls help protect agricultural land, but some are subject to change as county plans and policies change. For instance, one county we spoke with was in the process of considering a change to allow a density of 4 dwellings per 40 acres. Further, in counties where townships have developed their own land-use ordinances, the county’s intent to preserve land may conflict with a township’s desire to develop. As an example of unintended results, one county that allows landowners to transfer development rights found its program to be successful, but the program has also been used to transfer development rights *out* of areas intended for near-future development. In another county, landowners transferred their development rights, but their land was soon annexed and rezoned, followed by additional dwellings being built on the lands from which the development rights had transferred.

Removing Land from Preservation

The effectiveness of Minnesota’s agricultural preservation programs to preserve land for the long term is also hampered because preservation commitments may last for only eight years, and terminating from the program carries minimal consequences. We found that:

- **Either landowners or local governments may end their commitment to agricultural preserves by filing notice to terminate a preserve and then waiting eight years.**

When allowing an agricultural preserve to expire, metropolitan-area landowners do not have to pay back any of the reduced property taxes they received while in the program, unlike in the Green Acres Program. In Greater Minnesota, though, owners become ineligible for the \$1.50 per acre tax credit once they file notice to terminate the preserve.⁶ The Greater Minnesota program does not reduce enrolled lands’ taxable value, as Chapter 1 explained, so participants who leave the program see no change in tax burden beyond the loss of the tax credits.

Many acres of farmland that were once in an agricultural preserve have expired from the program.⁷ The proportion of expired acreage is higher in and near the metropolitan area, as Table 3.3 shows.

The success of Minnesota’s land preservation programs depends in part on the landowner and in part on the willingness of local units of government to maintain zones designated for agricultural preserves. Certain local units of government that in the past supported agricultural preserves have changed positions as their residents’ situations changed and residents’ interests in selling their land grew.

Some local governments that supported agricultural preserves in the past have since changed their position.

⁶ *Minnesota Statutes* 2007, 273.119, subd. 1.

⁷ Aggregate expiration data are not available for each county, but over the last decade enrollment declined in all nine counties with land enrolled in preservation programs, as noted earlier.

Particularly in and near the Twin Cities area, many farmland acres once in an agricultural preserve are no longer enrolled.

Table 3.3: Farmland Acres Expired from Agricultural Preserves, by County, 2007

	Carver	Scott	Waseca	Wright
Peak acreage enrolled ^a	102,554	8,840	84,139	11,468
Acres expired	15,910	3,490	2,090	2,735
Expired acres as percentage of peak enrolled acres	16%	39%	2%	24%

NOTE: Data on expired acres are not available from the other five counties with land enrolled in Minnesota's agricultural land preservation programs.

^a The peak enrollment year was 1991 for Scott County, 1997 for Wright County, and 1998 for Carver and Waseca counties.

SOURCE: Office of the Legislative Auditor, analysis of data from county auditors or planning officials in Carver, Scott, Waseca, and Wright counties.

As an example, in Scott County, land in about a dozen different communities had been designated for agricultural preserves since the law passed in 1980, but today, only three townships and parts of two others still have the dwelling densities of 1 unit per 40 acres, with one of those two likely to change soon. On the other hand, Carver County continues to maintain in its townships a density ratio of no more than 1 dwelling unit per 40 acres of land, and the number of acres preserved has remained more steady there than in neighboring Scott County.⁸

In addition:

- **No state or local agency has enforcement authority over land held in agricultural preserves.**

We learned of a small number of cases where land in an agricultural preserve was developed before the eight years ended and even before notice of an expiration was filed. In some of these cases, township officials had issued permits allowing the development without first changing their comprehensive plans or zoning ordinances to remove the long-term agricultural use designation. County officials who discovered the development had no authority to enforce the law or stop the development and could only remove the agricultural-preserves tax benefits. Nor is there authority to resolve questions that arise in the course of using the programs. For example, when an owner signed and notarized a notice to terminate a preserve in one year but the notice was not recorded in the county until two years later, whether the expiration became effective eight years from the time of signing the notice or from the time of the recording was in dispute.

⁸ At the same time, Carver County cities, whose comprehensive plans are independent of the county's, have lost most of their agricultural preserves acreage, with only 39 acres remaining enrolled in Carver County cities as of 2007.

RECOMMENDATION

If Minnesota wishes to preserve lands for agricultural uses over the long term, the Legislature should consider supplementing existing agricultural land preservation programs with other strategies. Furthermore, it should improve the existing laws by specifying who has authority to enforce them.

As the law now stands, the land-preservation benefit may be lost after eight years. If longer-term land preservation is desirable, the Legislature has options, but they all carry tradeoffs. The Legislature could change existing law to add incentives to attract owners for periods longer than eight years. But this could reduce participation in the programs overall for those who foresee using their lands for alternative purposes at some future time. Changing the programs by focusing incentives on only the best quality farmlands would help preserve high-priority land, but the program still would not assure long-term land preservation, and the change would likely make ineligible certain landowners who have been participating. Increasing the amount of the tax credit may attract additional participants; however, it is uncertain whether even doubling or tripling the \$1.50 per acre tax credit would be sufficient incentive for some areas in light of the market forces that have contributed to declining participation. Adding to the Greater Minnesota program, the benefit of lower “agricultural-use” assessments might increase the number of participants, but it would be useful only in areas where nonagricultural factors are adding to farmland values and would duplicate what the Green Acres Program already offers. As described in Chapter 2, the Department of Revenue is taking steps to expand Green Acres more consistently statewide.

As another option for preserving farmland, the Legislature could modify local land-use planning authority to require a statewide standard on high-priority agricultural lands, but land-use planning has customarily been a local function. Such a change would have far-reaching ramifications on state and local government relations that go beyond the agricultural land preservation programs themselves. It would also require funding to set the standards and enforce them. The Legislature could also offer permanent easements for agricultural lands, add to existing easement programs, or provide for land acquisitions of property that would be leased permanently for agricultural uses. Although these options achieve long-range preservation, they can be very costly and would require funds for program administration as well as for the easements or acquisitions.

The Legislature should provide sanctions for those who violate the legal requirements of agricultural land preservation programs.

To improve the existing agricultural land preservation programs, the Legislature should specify who has enforcement authority and provide sanctions for those who do not follow the law. Although various options are plausible, one possibility would give enforcement authority to the Metropolitan Council for the seven-county metropolitan area and to the Department of Agriculture for the rest of the state. This would not alter local government roles in the land preservation programs but would provide oversight in cases when the covenants are not fulfilled as the law prescribes.

Revenues raised from a \$5 fee on mortgage and deed transactions are shared between counties and the state to pay for tax credits provided by the agricultural land preservation programs.

CONSERVATION ACCOUNT REVENUES

As specified in law, counties in the seven-county metropolitan area and the three Greater Minnesota counties participating in the Agricultural Land Preservation Program pay for the \$1.50 per acre tax credit awarded to program participants by charging a \$5 fee on mortgage and deed registrations.⁹ As Chapter 1 explained, revenues left over in counties' conservation accounts after reimbursing localities for the tax credits may be spent on statutorily-specified purposes. We found that:

- **In a few cases, counties have spent money raised through the farmland preservation programs on natural resource conservation projects that may not meet a strict interpretation of state statutes, but additional oversight is necessary only if the Legislature wants to further restrict the spending.**

In the remainder of this section, we explain how much counties have raised with the \$5 fee and how they spent the revenues. We first present information on the use of the conservation accounts to reimburse tax credits, followed by use of the accounts for spending on other purposes.

Reimbursements for the Tax Credit

Money from the \$5 fee charged on mortgage and deed recordings and registrations is divided between the state and counties, as Chapter 1 described. The revenues generated go to the state Conservation Fund, the state General Fund, and county conservation accounts. We found that:

- **The combination of county conservation accounts and the state Conservation Fund has been adequate to reimburse tax credits provided to landowners participating in the agricultural land preservation programs.**

Every year since 1999, the counties' share of revenues from the \$5 fee has been sufficient to pay for the agricultural land preservation tax credits in six of the nine counties participating in the program.

In each year since 1999, six of the nine participating counties used their individual county conservation accounts to cover the full cost of the property tax credits paid to program participants. After making reimbursements for property tax credits in 2006, these six counties together with Ramsey County had net revenues of \$916,000 in their conservation accounts, as shown in Table 3.4. The total net revenue declined from \$1.4 million in 2003, when real estate activity was at a peak. While further declines are expected in 2007 and 2008, most of these six county accounts should still have enough revenue to fully reimburse the tax credits. Of the six counties, only Dakota County used more than 25 percent of its conservation account to reimburse tax credits in 2006 (it used 59 percent of conservation account revenue to reimburse credits that year).

For the three counties—Carver, Waseca, and Winona—whose conservation accounts had insufficient revenue to fully reimburse tax credits, the state's Conservation Fund covered the remaining credit reimbursement. The county

⁹ *Minnesota Statutes* 2007, 40A.152, subd. 1.

Table 3.4: County Conservation Accounts, 2006

County	County Conservation Account Revenue	Agricultural-Land Preservation Tax Credits Reimbursed From County Account	Amount Left in County Conservation Account	Tax Credits Reimbursed From State Conservation Fund
Anoka	\$ 147,724	\$ 3,210	\$144,514	\$ 0
Carver	38,418	38,418	0	103,409
Dakota	158,890	93,647	65,243	0
Hennepin	419,520	29,114	390,406	0
Ramsey	138,618	0	138,618	0
Scott	60,875	11,034	49,841	0
Waseca	6,025	6,025	0	119,008
Washington	94,823	13,513	81,310	0
Winona	12,845	12,845	0	49,407
Wright	60,675	14,263	46,412	0
Total	\$1,138,413	\$222,069	\$916,344	\$271,824

NOTE: County conservation account revenues include the county share of the \$5 fee on mortgage and deed recordings and registrations for 2005, which are used to pay agricultural preservation tax credits for taxes paid in 2006. No Ramsey County land is enrolled in the Metropolitan Agricultural Preserves Program, but the county is required to charge the \$5 fee.

SOURCE: Office of the Legislative Auditor, analysis of data from the Minnesota Department of Revenue.

In most years, the state’s revenues from the \$5 fee far exceeded what was needed to pay the state’s share of tax credit costs from the agricultural land preservation programs.

conservation accounts covered less than a third of the tax credit reimbursements for each of these three counties. Overall, the Minnesota Conservation Fund paid \$272,000 towards the credit reimbursements in 2006.

In each year except 1987, 1995, and 1996, less than half of the Minnesota Conservation Fund’s revenue was needed to supplement the tax-credit reimbursements from county accounts. Focusing on years 2001 through 2006, the state fund paid between \$250,000 and \$300,000 to reimburse the tax credits but had revenues of at least \$569,000. State General Fund money has not been used to supplement the Minnesota Conservation Fund with the exception of fiscal year 1987 when the fund was first established.

Spending on Natural Resources Conservation

For the six counties that had money remaining in their conservation accounts after reimbursing the farmland preservation tax credits, we reviewed how the remainder was spent in the past five years. As described in Chapter 1, statutes limit spending of the conservation account money to agricultural land preservation and conservation planning, soil conservation, incentives for landowners who create exclusive agricultural land zones, and payments to

With money left over after paying for the agricultural land preservation tax credits, counties have generally paid for natural resource management, such as soil conservation activities.

municipalities for any of these purposes.¹⁰ None of the money was spent on the latter two purposes.

Generally speaking, counties have used the conservation account dollars to help fund their natural resource management entities, such as soil and water conservation districts, which operate multiple projects aimed at conserving natural resources. For example, some of these entities use the money to administer Minnesota's Wetland Conservation Act, which requires a landowner proposing to drain or fill a wetland to, first, avoid losing the wetland or, second, replace it. Although wetlands preservation is not specifically listed among the purposes on which conservation account dollars may be spent, such preservation helps prevent sedimentation of waterways and erosion problems, which we believe can be reasonably defined as "soil conservation activities." In addition, these projects help fulfill one goal of the Agricultural Land Preservation Program in Greater Minnesota: to preserve and conserve soil and water resources. (The Metropolitan Agricultural Preserves Act does not explicitly contain the same goal.)

At the same time, we found that:

- **Some natural resources projects funded with the conservation account dollars appear worthy but only broadly connected to the statutory purposes for the funding.**

These include master gardener programs, educating young people about the role of agriculture in their lives, recording the county history of agriculture, and paying for costs of appraisals and title surveys associated with conservation easements on land being preserved for critical habitat.

No state agency oversees the county conservation accounts. Oversight is provided either by the elected members of the conservation districts, county staff who are separate from the entity doing the spending, or county board members reviewing agency spending through their typical budgeting process. In one county, oversight is delegated to the county's Extension Committee and a subcommittee specifically established by the county board to review and recommend projects for conservation-account spending.

RECOMMENDATION

The Legislature should determine whether spending the mortgage and deed fee revenues on natural resource projects other than agricultural land preservation and soil conservation is unacceptable, and if so, it should change Minnesota Statutes to specify unallowable activities.

Although local units of government vary in the degree to which the projects they fund adhere to the statutory purposes for conservation account spending, all are

¹⁰ [Minnesota Statutes](#) 2007, 40A.152, subd. 2(1)-(4).

putting the dollars toward projects related to agriculture or natural resources conservation. If the Legislature wants to restrict uses of the money to just the purposes stated in law, it will need to add specific language clarifying what projects are unacceptable for funding. One problem with more specific language is that it may not reflect particular projects that are designed to meet local needs and that local officials have judged to be justifiable.

Discussion

SUMMARY

Collectively, the Green Acres Program and the Metropolitan Agricultural Preserves Program effectively equalize tax burdens. The Agricultural Land Preservation Program in Greater Minnesota provides only minimal tax equalization. Although the agricultural land preservation programs have had some success in shaping development and slowing its rate, neither program, nor the Green Acres Program, assures long-term preservation of agricultural land. If the state's goal is permanent preservation, it must consider supplementing existing programs with other approaches.

The three agriculture protection programs described in this report operate independently of one another, and we evaluated them individually. In this chapter, we address:

- **Taken as a group, how well do the Green Acres, Metropolitan Agricultural Preserves, and Agricultural Land Preservation programs work?**

In looking at the three programs together, we note that measuring the value of a program depends on what the state is trying to achieve. If the objective is to reduce property taxes, a different strategy is needed than if the objective is to preserve land for the long term. We look first at how well the programs equalize taxes and second at farmland preservation.

The programs help equalize taxes for qualifying landowners.

First, as we pointed out in earlier chapters, both the Green Acres and Metropolitan Agricultural Preserves programs help equalize taxes by lowering the taxable value of qualifying land. (The Agricultural Land Preservation Program in Greater Minnesota does not have this feature.)¹ But, the programs do not apply to all agricultural land in the state. To benefit, landowners have to apply, and they must meet eligibility requirements.

If Minnesota had wanted to provide tax reductions to farmland around the state, it would have done so with programs that are open to all farmland owners instead of to a select number. The property tax system has features that are available to all farmland owners, such as the low class rates that are applied to all land classified as agricultural. The Legislature did not intend the benefits of the Green Acres and farm preservation programs, however, to be equally available to all. As long as this is the case, the programs will continue to have eligibility criteria (and local administrators will face the attendant problems of determining who is qualified), and a select group will receive the tax relief.

¹ Some land in the Agricultural Land Preservation Program in Winona and Wright counties has also been enrolled in the Green Acres Program and, therefore, receives the lower taxable value.

None of the programs effectively preserves agricultural land for the long term, but alternatives are costly.

Second, regarding the objective of farmland preservation, none of the three programs we evaluated is structured to preserve agricultural land for the long-term future. Where they are in place, the two agricultural land preservation programs help communities and landowners stage the pace of development, but their effect is limited because relatively few acres have been enrolled overall, they are not designed for long-term preservation, and they depend on the willingness of landowners and local officials to continue preserving the land. Whether the Green Acres Program’s goal is to preserve farmland is not clear in law, but if preservation is a goal, the program would have to change to more effectively achieve preservation, as Chapter 2 describes. We believe it is important to modify the existing programs to make them as fair and effective as possible. Chapters 2 and 3 contain recommendations that we think will help do this. Incremental changes to the programs, however, will not change the basic fact that they operate within markets over which government has little direct control. Unless the programs are dramatically changed, they will not provide enough incentive to outweigh the land value increases evident in developing areas. The benefit amounts would have to be large enough to compensate for the speculative value of land that leads to land sales for tens of thousands of dollars per acre.

Furthermore, if the state’s goal is permanent preservation, it has to consider alternatives such as land easements, which may involve purchasing development rights from current owners, or outright land acquisitions. The programs would have to be designed for permanent protection and could not rely on 20-year easements, as is allowed in certain programs today, such as some components of the Reinvest in Minnesota program. Permanent preservation, however, is costly. Programs elsewhere to purchase development rights have resulted in low numbers of acres preserved, due in large part to high costs.

We do not recommend dismantling the existing programs.

We are not recommending that the existing Green Acres and agricultural land preservation programs be dismantled. As long as the state believes it is important to equalize certain landowners’ property tax burdens, the Green Acres and Metropolitan Agricultural Preserves programs serve a purpose. To far less of a degree, the land preservation program in Greater Minnesota helps serve that purpose. At the same time, it is important to recognize that the programs are not structured as tax relief for all farmers, and there are questions about whether their goals support providing the relief to all who now benefit. Regarding land preservation, the programs have limited effects of a short- to medium-term nature. The land preservation programs curb the rate of development and can help shape it, but none of the three programs we evaluated assures land preservation for the long term, and the Green Acres Program in particular is not targeted to lands important to preserve.

List of Recommendations

- The Legislature should clarify in statute who and what types of land should benefit from the Green Acres Program (p. 38).
- The Legislature should change the Green Acres law by eliminating the criterion for a minimum income level if it also adds specificity to statutes for classifying property as agricultural and defining land that is “primarily” agricultural (p. 42).
- The Department of Revenue should continue its efforts to make the Green Acres Program more consistent statewide. At the same time, it should make some changes including modifying its statewide approach for valuing nontillable land in the program (p. 50).
- If Minnesota wishes to preserve lands for agricultural uses over the long term, the Legislature should consider supplementing existing agricultural land preservation programs with other strategies. Furthermore, it should improve the existing laws by specifying who has authority to enforce them (p. 62).
- The Legislature should determine whether spending the mortgage and deed fee revenues on natural resource projects other than agricultural land preservation and soil conservation is unacceptable, and if so, it should change Minnesota Statutes to specify unallowable activities (p. 65).

MINNESOTA • REVENUE

January 24, 2008

James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
658 Cedar Street
140 Centennial Office Building
St. Paul, Minnesota 55155-1603

Dear Mr. Nobles:

We thank the Office of Legislative Auditor for its thoughtful review and analysis of the Green Acres and Agricultural Land Preservation Programs. We agree with the report's findings and fully support the recommendations.

Of particular interest to the Department is the first recommendation which states that ***“The Legislature should clarify who and what types of properties should benefit from the Green Acres Program.”*** We feel that this is a very important and necessary recommendation. Clarification of legislative intent will greatly assist the department and the counties to establish appropriate and consistent definitions and criteria for program eligibility and better ensure uniformity in program implementation throughout the state.

The report appropriately identifies several policy questions that need to be clarified. These include:

1. Is the program's primary purpose to “equalize” taxes on property used for agricultural purposes or is it also to preserve agricultural land?
2. To what extent should the program provide a benefit to land that is used for only “agricultural” purposes and to adjacent land that is used for hunting and recreation?
3. Should eligibility for the program be based on the characteristics and use of the land (such as acres tilled or “primarily tilled) and/or on the characteristics of the owner (such as the owner's farm income)?

This past year, the Department and county assessors worked together to develop and issue a revised Green Acres Bulletin which establishes eligibility criteria and administrative guidelines for the Green Acres Program and agricultural definitions that best reflect our interpretation of current law. In preparing the bulletin we quickly discovered the differences in practices throughout the state and the difficulty in reaching agreement on policy directives in the absence of more clarity regarding legislative purpose and intent. As a result, we issued the bulletin with an effective date of 2009 and

identified the following six policy issues that merit legislative review and policy clarification:

1. Development and implementation of a new “green acres agricultural” valuation methodology for tillable and non-tillable land;
2. Clarification of the phrase “exclusively and intensively used for agricultural purposes” in order for parcels less than ten acres to qualify for an agricultural classification;
3. Clarification of the phrase “primarily devoted to agricultural use”;
4. Whether or not splitting the classification of a parcel between residential and agricultural use should be allowed, and if so, under what circumstances;
5. Whether or not qualifying “farm” income thresholds should be changed; and
6. Whether or not the payback provisions should be extended for more than three years.

If the legislature can clarify the policy direction and legislative intent for the Green Acres Program, the department and county assessors will work together to address the specific policy issues and improve the administration of Green Acres Program.

Again, we want to thank the OLA for their review and analysis of the Green Acre and Agricultural Land Preservation Programs and we look forward to working with the legislature, county commissioners and assessors in addressing the recommendations of the report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ward Einess".

Ward Einess
Commissioner

January 25, 2008

James Nobles
Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

The report, *"Green Acres" and Agricultural Land Preservation Programs* provides a solid foundation for further discussions about agricultural land preservation in Minnesota. The report accurately describes the Green Acres and agricultural land preservation programs and documents important trends in assessors land classifications, agricultural land loss, and program participation. It also begins to show the complexity of the issue of agricultural land preservation and how it fits into broader policy issues of land use and growth.

We agree with the overall thrust of the report's recommendations. For Green Acres, the question of who the program benefits needs to be examined, and eligibility requirements may need to be adjusted. Green Acres provides tax breaks to some landowners with questionable agricultural land use, yet the risk of tightening requirements is the removal of those very same tax breaks that are still needed for legitimate and valuable agricultural enterprises, such as fruit and vegetable farms.

Current agricultural land preservation programs may need to be supplemented to provide longer-term protection to agricultural land. The Metropolitan and Greater Minnesota agricultural land preservation programs are important tools for protecting agricultural land and shaping growth, and should be supported and strengthened.

Based on our experience agricultural land is best preserved through use of a variety of tools. The Minnesota "toolbox" includes a differential tax assessment program (Green Acres), agricultural planning and zoning, agricultural districting programs (the Metropolitan Agricultural Land Presentation Program and the Greater Minnesota program), purchase of development rights programs (PDR, e.g., the Dakota County Farmland and Natural Areas Program), and transfer of development rights programs (TDR, such as the Chisago County program).


PDR and TDR programs offer perpetual or very long-term protection of agricultural land. However, because of the high cost of development rights purchase, the acreage that can feasibly be protected is relatively small. The programs, therefore, must be targeted to protect the land in greatest need of preservation.

Differential taxation has a place in the land preservation arsenal by allowing farmers to weather increasing land values and assessments caused by non-agricultural influences such as in areas of transition to urban uses. This is particularly important to specialty crop operations.

To affect much larger areas, and to shape growth, less expensive and less complicated tools are needed, such as agricultural zoning and districting. The backbone of effective agricultural land preservation and growth control is guided by good planning and agricultural zoning. Although agricultural zoning can be changed, agricultural districts help to bolster and stabilize agricultural zones, and build support among farmers.

The Legislative Audit Report provides a solid starting point for further discussion of the issue, in which MDA wants to be an integral part.

Sincerely,



Gene Hugoson
Commissioner

GH:AgD:bp

Recent Program Evaluations

Forthcoming Evaluations

JOBZ Program, February 2008
Financial Management of Health Care Programs,
February 2008
State Highways and Bridges, February 2008
Charter Schools, June 2008

Agriculture

*"Green Acres" and Agricultural Land Preservation
Programs*, February 2008
Pesticide Regulation, March 2006
Animal Feedlot Regulation, January 1999

Criminal Justice

Substance Abuse Treatment, February 2006
Community Supervision of Sex Offenders, January 2005
CriMNet, March 2004
Chronic Offenders, February 2001
District Courts, January 2001

Education, K-12, and Preschool

School District Student Transportation, January 2008
School District Integration Revenue, November 2005
No Child Left Behind, February/March 2004
Charter School Financial Accountability, June 2003
*Teacher Recruitment and Retention: Summary of
Major Studies*, March 2002
Early Childhood Education Programs, January 2001
School District Finances, February 2000

Education, Postsecondary

Compensation at the University of Minnesota,
February 2004
Higher Education Tuition Reciprocity, September 2003
The MnSCU Merger, August 2000

Environment and Natural Resources

Watershed Management, January 2007
State-Funded Trails for Motorized Recreation,
January 2003
Water Quality: Permitting and Compliance Monitoring,
January 2002
Minnesota Pollution Control Agency Funding,
January 2002
Recycling and Waste Reduction, January 2002
State Park Management, January 2000
*Counties' Use of Administrative Penalties for Solid and
Hazardous Waste Violations*, February 1999
Metropolitan Mosquito Control District, January 1999

Financial Institutions, Insurance, and Regulated Industries

Liquor Regulation, March 2006
Energy Conservation Improvement Program, January 2005
Directory of Regulated Occupations in Minnesota,
February 1999
Occupational Regulation, February 1999

Government Operations

County Veterans Service Offices, January 2008
Pensions for Volunteer Firefighters, January 2007
Postemployment Benefits for Public Employees,
January 2007
State Grants to Nonprofit Organizations, January 2007
Tax Compliance, March 2006
Professional/Technical Contracting, January 2003
State Employee Health Insurance, February 2002
State Archaeologist, April 2001
State Employee Compensation, February 2000
State Mandates on Local Governments, January 2000

Health

Nursing Home Inspections, February 2005
Minnesota Care, January 2003
Insurance for Behavioral Health Care, February 2001

Human Services

Human Services Administration, January 2007
*Public Health Care Eligibility Determination for
Noncitizens*, April 2006
Substance Abuse Treatment, February 2006
Child Support Enforcement, February 2006
Child Care Reimbursement Rates, January 2005
*Medicaid Home and Community-Based Waiver Services for
Persons with Mental Retardation or Related Conditions*,
February 2004
*Controlling Improper Payments in the Medicaid Assistance
Program*, August 2003
Economic Status of Welfare Recipients, January 2002
Juvenile Out-of-Home Placement, January 1999

Housing and Local Government

Preserving Housing: A Best Practices Review, April 2003
*Managing Local Government Computer Systems: A Best
Practices Review*, April 2002
Local E-Government: A Best Practices Review, April 2002
Affordable Housing, January 2001
*Preventive Maintenance for Local Government Buildings:
A Best Practices Review*, April 2000

Jobs, Training, and Labor

*Misclassification of Employees as Independent
Contractors*, November 2007
Prevailing Wages, January 2007
Workforce Development Services, February 2005
Financing Unemployment Insurance, January 2002

Miscellaneous

Economic Impact of Immigrants, May 2006
Gambling Regulation and Oversight, January 2005
Minnesota State Lottery, February 2004

Transportation

Metropolitan Airports Commission, January 2003
Transit Services, February 1998

Evaluation reports can be obtained free of charge from the Legislative Auditor's Office, Program Evaluation Division, Room 140 Centennial Building, 658 Cedar Street, Saint Paul, Minnesota 55155, 651-296-4708. Full text versions of recent reports are also available at the OLA web site: <http://www.auditor.leg.state.mn.us>