

Agriculture, Wildlife & Rural Affairs (1/1)

Motivating participation in Voluntary Agricultural Districts (VADs)

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<p>Issue/Problem</p>	<p>From 2001-2016, the state of Colorado lost nearly 235,000 acres of agricultural land to both high-density and low-density development. 27% of this was cropland and 72% was pasture and rangeland. Some of this land was the state’s very best agricultural land—112,400 acres were considered highly productive, and 16,300 acres were considered nationally significant in terms of its long-term production potential. In addition to their productive capacity, agricultural lands statewide provide a diversity of benefits to Coloradoans, including:</p> <ul style="list-style-type: none">• Robust economic activity that uses renewable resources (soil, sunlight, water).• Current and future access to locally grown food and fiber, a lowered carbon footprint, the potential for water and water infrastructure sharing.• A host of ecosystem services like wildlife habitat, ground water recharge, flood surge control, migratory bird stopover, pollinator habitat and others.• Open space, community separators, amenity values.• Agricultural tourism extended season recreational flows, diversity of other recreation opportunities.• Intergenerational cultural and knowledge base that is almost impossible to replace.• Low cost of and requirement for government services, and emergency response for ag lands – in contrast with the high cost of services to the exurban development that often replaces it. <p>The pace of agricultural land and water development that is occurring in urbanizing or rapidly growing Colorado counties threatens existing operators’ ability to farm and ranch viably and calls for a flexible solution to encourage agricultural landowners to keep these resources in production.</p>
<p>Background</p>	<p>Similar to many other Colorado counties, Larimer County and some of its municipalities have publicly-funded open lands programs that have been able to permanently protect agricultural parcels through the purchase of conservation easements, which remove the development rights from the land (and sometimes water). Two factors are at issue here that make permanent conservation a less responsive option in the face of rapid development which places the state’s best agricultural land at continued risk: 1) permanent conservation is not always the best solution for an agricultural landowner due to financial situations, business structure, management and other constraints; and 2) permanent conservation can be expensive and it can take time to piece together the financial components for an individual transaction.</p> <p>Larimer County perceives great benefit to finding an alternative to permanent protection that: 1) supports local land protection efforts with locally-based incentives that help agricultural landowners retain their land and water in commercial production for a term period (such as 10 years); provides state-level incentives that enhance local incentives AND create a runway for long-term agricultural land protection, where the landowner so desires.</p> <p>In this manner, Voluntary Agricultural Districts (VADs) can be an effective and comprehensive tool to help minimize the loss of ag land and water and protect the benefits</p>

	<p>those resources provide to the state’s citizens and its economy. They can also provide a bridge to permanent conservation for participating landowners. VADs are authorized by state law but can only be adopted at the local level, where local governments decide how and where to encourage and protect commercial agriculture in their jurisdictions.</p> <p>A Voluntary Agricultural District (VAD) is an overlay district¹ that includes important agricultural lands where landowners could voluntarily opt in and agree to maintain their farm or ranch in agricultural production for some agreed upon period (several other states use a period of 10 years) in return for a package of incentives that benefit the participating farms and ranches. Such districts are used in 21 states and have enrolled over 30 million acres.²</p> <p>In Colorado, state enabling legislation is needed to assist Colorado counties wishing to establish Voluntary Agricultural Districts (VADs) and to provide some state-level incentives that will encourage the voluntary participation of farmers and ranchers in those agricultural land conservation districts. State incentives would complement those that can then be developed at the county level.</p>
<p>Proposed Solution</p>	<p>This proposal seeks to establish enabling legislation at the state level that provides support and momentum for the creation of Agricultural Districts at the county level and which creates some incentives at the State level to compliment those that can be offered at the local government level. Some of the State and County incentives would provide immediate benefits to producers who agree to remain in production for X number of years. Other incentives at both levels can provide a bridge to permanent protection of productive lands which now provides those conserving with State tax credits in Colorado worth 90% of the development value (the landowner’s donated value) that is removed.</p> <p>State incentives that could motivate both counties and subsequently VAD participants might include:</p> <ul style="list-style-type: none"> a. Staff support from the Colorado Department of Agriculture and other State agencies for counties as they work on the creation of a county VAD; b. Establishment of guidelines to assist counties with the development of a VAD; c. Call for State agency polices to support VADs and farming and ranching activities in those districts; d. Asks for GOCO and other conservation organization to assist with transaction costs for VAD participants who initiate permanent protection; e. Likewise, favoring VAD participants who wish to permanently conserve as the cap on State Conservation Tax Credit approaches; and f. Other incentives which may emerge from consultation with agency staff and State representatives to incentivize VAD participation and support an integrated State and County approach to VAD programs.

¹ Overlying an existing zoning district or districts. In Larimer County a VAD would most likely be an overlay on the NR, A, FO base zoning districts

² For more information see these publications from American Farmland Trust: <https://farmlandinfo.org/publications/agricultural-district-programs/>; and <https://farmlandinfo.org/publications/agricultural-districts-a-tool-for-protecting-local-agriculture/>.

	<p>While counties would ultimately individualize and adopt their own VAD programs in order for State incentives to kick in, State enabling legislation might also provide counties with basic guidelines for developing a VAD and could also suggest, but not require, local governments to: restrain from applying special assessments; require a special review of any proposal to utilize eminent domain in a VAD; develop or strengthen right to farm polices; consider precluding annexation of participating farms and ranches; and other measures that would enhance a VAD.</p> <p>In Larimer County, we hope to provide incentives at the County level using financial resources from our Open Lands Program, municipal Open Space and Natural Areas Program and prioritizing funds for VAD participants who wish to move to more permanent protection of land and water. We also hope to work with local water utilities to increase rental water security for VAD participants who rent supplemental irrigation water from those utilities.</p> <p>There are several other County-level incentives and potential collaborations with local jurisdictions being discussed that are aimed at reducing conflicts from encroaching development, infrastructure expansion or aggressive annexation. Again, it would be helpful to have language in the State Enabling Legislation for VADs that encourages Counties to incorporate such things into their VAD design and adoption as an overlay district into the land use code. By combining local incentives with State enabling legislation and incentives, we think producers will be more motivated to voluntarily participate in this program of ag land and water protection.</p> <p>The flexibility of VADs is an advantage for Colorado counties. They can be located in different places within a county depending on where productive ranches, productive row crop farms, productive value-added crop farms are located, likely overlapping different zoning districts and they could also occur within a municipal boundary. In other words, a VAD designation in the county's land use code might occur as several different polygons or VAD districts within which producers could volunteer to be participants.</p> <p>As a voluntary program, participants would be able to get out of the agreement, and counties would need to decide how to encourage continued participation or to penalize dropping out. Most states that support VADs require that any state tax relief that was granted be paid back for the number of years it was received.</p>
<p>Alt. Solutions Considered</p>	<p>Larimer County has indeed looked at non-legislative options to providing incentives that will motivate agricultural producers to keep their land and water in active food production (in addition to the other benefits generated by ag. operations).</p>
<p>Statutory Citation /proposed edit</p>	<p>Example legislation from North Carolina can be accessed here: Article 61, North Carolina General Statutes</p> <p>Statutory Citation TBD given this would be a new program. If this becomes a CCI priority, we would work with Legislative Legal Services on the appropriate section of statute, likely in Title 30. We will be researching and discussing with our State representatives, specific statutes pertaining to property taxes; the Homestead Exemption; License plate costs; Conservation Tax Credits and other items mentioned in the Legislative Remedy section</p>

C.C. Role	The Larimer County Agricultural Advisory Board (AAB) is appointed by the BCC and one of the BCC Board Members is a liaison to our board who has attended all of our meetings and we have discussed this issue with him. He has recently sent us this form and encouraged us to do the preparation necessary for BCC to take this issue to CCI. At the behest of our commissioner liaison, the legislative agenda work will be added to our annual work plan starting in July.
Proponents/ Opponents	So far, we know of no opposition to the creation of a VAD.
Fiscal Impact	<p>At this time the fiscal impact is unknown, as that will depend on the specific incentives that the state enabling legislation. In addition, there are both long and short-term fiscal impacts. In the long run, keeping farms and ranches in production will save the State and local govts. money since these ag operations pay taxes, generate wealth from renewable resources etc. but require fewer services than other land uses or types of development (especially in terms of emergency services, roads, fire suppression etc.).</p> <p>In the short term, if the assessed valuation of farm and ranch homes and improvements is lowered or frozen at some level (2017 or 2018 for example) for VAD participants, one could calculate the difference between past and current levels of taxation and multiply that times some projected number of participants receiving tax relief to estimate revenue foregone for the short term. We could do the same for fees that are lowered. Regarding other incentives like the use of GOCO funds for transaction costs or conservation tax credit priority for VAD participants as the cap approaches, now additional funds are required. The same would be true of county level incentives which would mostly draw on existing programs but give priority to VAD participants. Likewise, those that transition to permanent conservation using VAD incentives, would then draw on existing sources of funding.</p>
Priority Ranking	2/4