



Kenai Peninsula Borough
Planning Department

MEMORANDUM

TO: Brent Hibbert, Assembly President
Kenai Peninsula Borough Assembly Members

THRU: Charlie Pierce, Borough Mayor 

FROM: Melanie Aeschliman, Planning Director 

DATE: January 13, 2021

RE: Resolution 2021-002, A Resolution Updating the Kenai Peninsula Borough Schedule of Rates, Charges and Fees, Pursuant to KPB 1.26, To Include Rates for Agricultural and Grazing Leases.

The Kenai Peninsula Borough Planning Commission reviewed the subject ordinance during their regularly scheduled January 11, 2021 meeting.

A motion passed by unanimous vote (10 Yes, 0 No, 1 Absent) to recommend approval of Resolution 2021-002.

In the resolution please amend the last WHEREAS statement:

WHEREAS, the Borough Planning Commission held a public hearing on January 11, 2021 and recommended approval by unanimous vote.

Attached are the unapproved minutes of the subject portion of the meeting.

Resources, to change agriculture and grazing lease rates to a standard fee schedule and clarify tax responsibility.

Commissioner Ecklund stated she had read the APC meeting minutes in the packet and the Hope/Sunrise APC recommended approval of the ordinance. She also noted the Cooper Landing APC had a great deal of discussion on the topic. She asked the following question of staff, would this lease rate only apply to lands that have been designated for agricultural use? An applicant would not be able to go into the middle of industrial or residential designated lands and request to lease the land for agricultural purposes. Mr. Muller replied code requires that lands be classified before disposing of the land by sale or lease. Any lands offered up by lease for this program will first have to be classified either agricultural or grazing.

Commissioner Ruffner asked Mr. Mueller if the borough were to gather up all the revenues generated from agricultural lands that are currently in place, and transfer them in to this proposed new mechanism would the borough make more or less money. Mr. Mueller replied that the borough has not issued any agricultural or grazing lease. He noted the borough does have several grazing leases inherited from the state and the rate per acre on those leases would run anywhere from \$.11 to \$.41. The proposed new rates would be an increase from those rates. Commissioner Ruffner then stated it appears the borough does not have much in the way of agriculture so this is not major issue. Mr. Mueller replied currently there are no contracts in place that the new rates would apply to; the new rates would be applied to new leases coming forward. Mr. Mueller noted Land Management has been moving in the direction of creating an agricultural program and will be working on classifying lands for agricultural and grazing for future lease offerings.

Seeing and hearing no objection or further discussion, the motion was carried by the following vote:

MOTION PASSED BY UNANIMOUS VOTE:

Yes	10	No	0	Absent	1
Yes	Bentz, Brantley, Carluccio, Chesser, Ecklund, Fikes, Gillham, Martin, Ruffner Venuti				
No	None				
Absent	Morgan				

AGENDA ITEM E. NEW BUSINESS

- 6. Resolution 2021-002, a resolution updating the Kenai Peninsula Borough schedule of rates, charges and fees, pursuant to KPB 1.26, to include rates for agricultural and grazing leases.

Staff report given by Marcus Mueller.

This is the sister resolution to Ordinance 2021-01. Generally, agricultural and grazing land uses can be categorized in alignment with soil qualities and management. Setting rates based on soil quality and management categories furthermore aligns with farm management and conservation plans, which are required for agriculture and grazing leases.

This resolution would adopt a schedule of rates for agriculture and grazing leases using eight management categories. These management categories can be administratively further defined as needed to address specific uses that would be eligible under the respective lease type. The rates in the resolution come from the Borough Agricultural Program white paper, which has been in circulation for the last several years. The numbers in the paper are somewhat contrived due to the fact that there is not a lot of information on local agricultural programs out there. Research has been conducted on agricultural and grazing lease rates around the county. The rates proposed in this resolution fall in line with the rates from Carlton County in Minnesota, according to North Minnesota State University.

One factor to take into consideration is the borough land we are talking about leasing under this program is forested land. The land has not gone through the conversion process and been cleared. We are not talking about lands for turnkey farming. Individuals will not be able to go and prep, plant have a harvest in the first year. The land will require development. This was a part of the calculus involved in developing the proposed rates.

Maintenance of agriculture and grazing lease rates would occur by periodic updates through assembly resolution in accordance with KPB 1.26.

END OF STAFF REPORT

Chair Martin open the item for public comment. Seeing and hearing no one from the public wishing to comment, Chair Martin closed public comment and opened discussion among the Commission.

MOTION: Commissioner Ecklund moved, seconded by Commissioner Carluccio to forward to the Assembly a recommendation to adopt Resolution 2021-002, a resolution updating the Kenai Peninsula Borough schedule of rates, charges and fees, pursuant to KPB 1.26, to include rates for agricultural and grazing leases.

Commissioner Ecklund asked staff if during their research had they come across any rates from Alaska. She is aware that the North Star Borough has many hay fields. Did they come across any grazing lease rates from that borough? Mr. Mueller replied that he did not check with the North Star Borough. He did talk to an appraiser from the Mat-Su Valley and the appraiser related that a lot of the rental market in the borough relied heavily on taxes breaks for agricultural uses. Landowners there were not looking for much in the way of rents but were getting benefit from reduced tax rates on their lands for agricultural uses.

Commissioner Carluccio noted the Cooper Landing APC has questioned the \$2.50 per acre rate for Managed Forestlands. They mentioned a rate of 10% - referring to being able to take up to 10% of the trees per acre. Do you know where they got that number? Mr. Muller stated the 10% that was reference was a hypothetical number given by one the APC members. They were discussing the application of managed forestland in the Cooper Landing Valley. What Land Management would be looking for in a lease proposal would be production on a sustainable basis. Ten percent per year would be beyond a sustainable yield but perhaps 10% every ten years would be appropriate.

Commissioner Bentz asked Mr. Mueller if he could identify for the commission where lease revenues go and how they are use. She has a concern if natural habitat is being converted for agricultural uses and say after five to ten years there is some kind of impairment to the land, could lease revenues be used for reclamation or remediation purposes for the land? Mr. Mueller replied that lease revenues go into the Land Trust Fund and those funds go out according to the budget. Land sale revenues go into Land Trust Investment Fund. Lease fees are not used for reclamation but there is the opportunity in the lease agreement requiring a bond for reclamation from to repair any damage to the land. The borough has not had much experience in using bonding practices. Mr. Mueller noted that all leases go before the Planning Commission for a recommendation to the Assembly, which will give the Planning Commission an opportunity to question lease provisions. Also all agricultural and grazing leases require a farm management plan. Farm management plans are conservation plans developed between the producer and the Soil & Water Conservation District. The rates also refer to different types of management units. Not only will the lease rate be charged according to how the land is being used but the land will also be managed according to the designation. This will allow for farm plans to be specific to the type of land and agricultural uses.

Seeing and hearing no objection or further discussion, the motion was carried by the following vote:

MOTION PASSED BY UNANIMOUS VOTE:

Yes	10	No	0	Absent	1
Yes	Bentz, Brantley, Carluccio, Chesser, Ecklund, Fikes, Gillham, Martin, Ruffner Venuti				
No	None				
Absent	Morgan				