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**To:** Mark Johnson

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## **RIM Easement Payment Practice**

### **Traditional RIM payment structure**

Traditional RIM easement payment rate methods are established and approved via Board resolution using assessed values from the Minnesota Land Economics website for Class 2A tillable land. Using data reported to the Department of Revenue for assessed values for every property in Minnesota, a township-wide average tillable land value is calculated using most recent data. This assessed average for tillable land by every township is the unique township value used as the starting point for establishing RIM rates.

Using this township average, 90% and 60% of these average values are calculated. 90% of the township average assessed value for tillable land becomes the established RIM payment rate for cropland (meeting crop history requirements in statute). 60% of that township average is the RIM payment rate for non-cropland (historically smaller areas of non-crop that are part of a larger parcel of land with crop history).

The seven-county metro is handled uniquely due to high land values. RIM has historically made a decision to work outside of the metro where land values are less, and dollars go further, thus creating a modified rate structure unique to the metro. In the metro, Hennepin and Ramsey counties have the cropland rate capped at the highest average township rate from any of the other surrounding seven metro area counties due to a limited number of tillable land acres within those counties. The payment rate maximum for the other metro counties (Anoka, Carver, Dakota, Scott and Washington) are calculated as described above, but if a township exceeds the average Scott County rate, it is then capped at that average.

As RIM rates are updated (with a goal of annually), the updated rates are approved by the Executive Director.

### **Alternative RIM payment structure**

Several years ago, an alternative RIM payment structure was adopted by Board resolution. This alternate valuation is frequently used for RIM programs that have a focus on protection rather than restoration.

In this structure, payment rates are 60% of the most recent assessed value of the land (excluding any improvements) as determined by the county assessor where the easement is being recorded. Rather than a focus on tillable land (which there is inherently less of in areas where protection is the focus) and a single value for an entire township, the protection programs use property specific data for each easement to arrive at the RIM payment.

Of importance to the entire RIM payment structure is that it is based on assessed value (not appraised). Assessed values are, by the nature of their purpose and use, a percentage of the actual value a property would sell for on the open market. Conversely, the appraised value is almost always more than what is listed as the assessed value for the property as determined by the County Assessor. While the percentage is variable and sale prices are impacted by many external forces, assessed values are typically approximately 80% of the appraised or sale value.

## Statute references

Statute 103F.515, Subd. 6 (Payments for easements) establishes the mechanism for BWSR to determine payment rates and reads:

*The board shall establish rates for payments to the landowner for the conservation easement and related practices. The board shall consider market factors, including the township average equalized estimated market value of property as established by the commissioner of revenue at the time of easement application.*

Statute 84.0272 that establishes 110% above appraisal as the maximum payment for acquisition is specific to the Department of Natural Resources.

Additionally, Statute 16B.297 addresses this issue but specifically exempts both BWSR and the DNR though the statute language above addresses each agency specifically:

*Subd. 1 For the purposes of this section, "agency" means an agency as defined in section 16B.01, subdivision 2, and the Board of Trustees of the Minnesota State Colleges and Universities, but **does not include the Department of Transportation, the Department of Natural Resources, or the Board of Water and Soil Resources.***

*Subd. 2 When an agency is authorized to acquire real property or an interest in real property with public money, the procedure in this section applies. The agency must first prepare a fact sheet providing a legal description of the real property to be acquired and the legal authority for its acquisition. The agency must obtain an appraisal of the real property by a person licensed under chapter 82B as an appraiser for the type of real property being appraised and the appraisal must be done in accordance with the requirements of chapter 82B. The appraiser shall not have an interest directly or indirectly in any of the real property to be appraised. The agency may pay less for the property than the appraised value but **must not agree to pay more than ten percent above the appraised value.***

## Dakota County use of RIM rate structure

BWSR understands Dakota County's desire to use a formulaic approach to establishing rates. This approach allows landowners to know, up front, the payment they will receive instead of determining if they are interested in pursuing an easement only after money has been spent on an appraisal. The formula-based approach also makes it simpler to recalculate the payment if land needs to be added to, or subtracted from, the easement as the restoration project is designed. BWSR also recognizes that securing easements and successfully completing wetland restorations in the seven-county metro is very different than completing the same work in the parts of

the State that RIM normally focuses on. The pool of potential landowners and potential projects in Dakota County is small and the land value is impacted by development pressure. Thus, there may be a reason to allow a method that deviates from the traditional appraisal method for land conservation and restoration projects. BWSR's Local Government Road Wetland Replacement Program uses 125% of RIM rate value to establish payment rates and does not require an appraisal. Dakota County is also proposing to use this formula of 125% of the current traditional RIM rates as established for Dakota County townships.

As RIM rates have not been updated in recent years as a result of CREP, because of the limitations of RIM payments in the metro as described above, and because BWSR is exploring changes to how RIM rates are established; we would propose that Dakota County specify the actual process to arrive at the formulaic value rather than referencing RIM. For example, the Dakota County rate could be calculated based on 113% of the assessed value, which would be comparable to 125% of the current RIM rate and could either be calculated by township or for the parcel depending on Dakota County's wishes.