



City Council Memorandum

To: Mayor Fasbender & City Councilmembers
From: Justin Fortney, City Planner
Date: November 6, 2021
Item: Award 2024-2026 Industrial Park Agricultural Lease

Council Action Requested:

The City Council is asked to award the 2024-2026 Industrial Park Agricultural Lease contract.

Background Information:

The industrial park agricultural lease had originally allowed corn to be planted every year, which requires application of a nitrogen fertilizer. To help reduce nitrates in the DWSMA (Drinking Water Supply Management Areas) we began requiring best practice requirements for applying nitrogen at minimum levels and alternating soybeans. Recently a Dakota County SWCD (Soil and Water Conservation District) representative suggested we look to have a perennial grain like Kernza® planted. This would not require the application of nitrogen. They said a grower could offset increased costs with available grants and offer competitive bids for a lease. Due to the establishment of the perennial crop, they suggested extending the lease term for three years rather than two. This would allow for a better return on investment.

The request stated that bids for corn/ soybeans (option A) and for a low nitrogen perennial crop (option B) would be accepted. The request for bids stated that the award will be based on qualifications, bid price, and crop option.

One bid for option B was submitted. The same bidder also submitted a traditional proposal that would add a fall cover crop, which may reduce the ground nitrogen.

The sealed bid opening on Monday October 30, 2023, yielded the following results:

Option A: Corn/Soybeans

	Per acre (82 acres)
Dave and Joe Birk	233.00
RKSK Farms	193.00
Strohfus Farms	150.05 With a fall planted cover crop (ie Winter Cereal Rye or a mix)

Option B: Low nitrogen input crop, perennial crop or continuous living cover as defined by the Minnesota Department of Agriculture

	Per acre (82 acres)
Strohfus Farms	100.05

As part of the agreement, the lessee will pay real estate tax on the leased farmland, which is generally about \$5,000 per year. The City would notify the lessee with any impending sale of land for industrial development. If the land is already planted, and the crop cannot be harvested, the City will deduct the costs of planting the affected area from the annual rent.

Staff Review

Staff believes all of the bidders are qualified to perform the necessary lease requirements. Staff would have liked for option B to garner more bids. Even with advertisement in the Hastings Journal, city website, notice to past bidders, and Dakota County SWCD spreading the opportunity, only one bid was received and substantially lower than past and current bids. The Option B bidder submitted the attached letter with their bid citing a variety of possible risks leading to the low bid, including that available subsidies are not guaranteed. Perhaps in the future these potential risks will be investigated and assuaged prior to bidding to allow for a more competitive bid.

City Engineering staff said the field is not within the one year capture zone of the nearest well, which requires a higher standard for infiltration. They added that it is appropriate to keep exploring options for reducing nitrogen as we continue this lease opportunity.

Staff recommends awarding the 2024-2026 agricultural lease to Dave and Joe Birk for 233.00 per acre. Although the option B bid from Strohfus Farms did meet a preference for lower nitrogen, it was not competitive.

Dakota County SWCD staff intends on being present at the City Council meeting to address any questions.

Financial Impact:

Dave and Joe Birk will be required to pay the city \$19,106 in 2024, 2025, and 2026, in addition to assessed taxes (about \$5,000/ year (as routinely assessed by Dakota County)).

Advisory Commission Discussion:

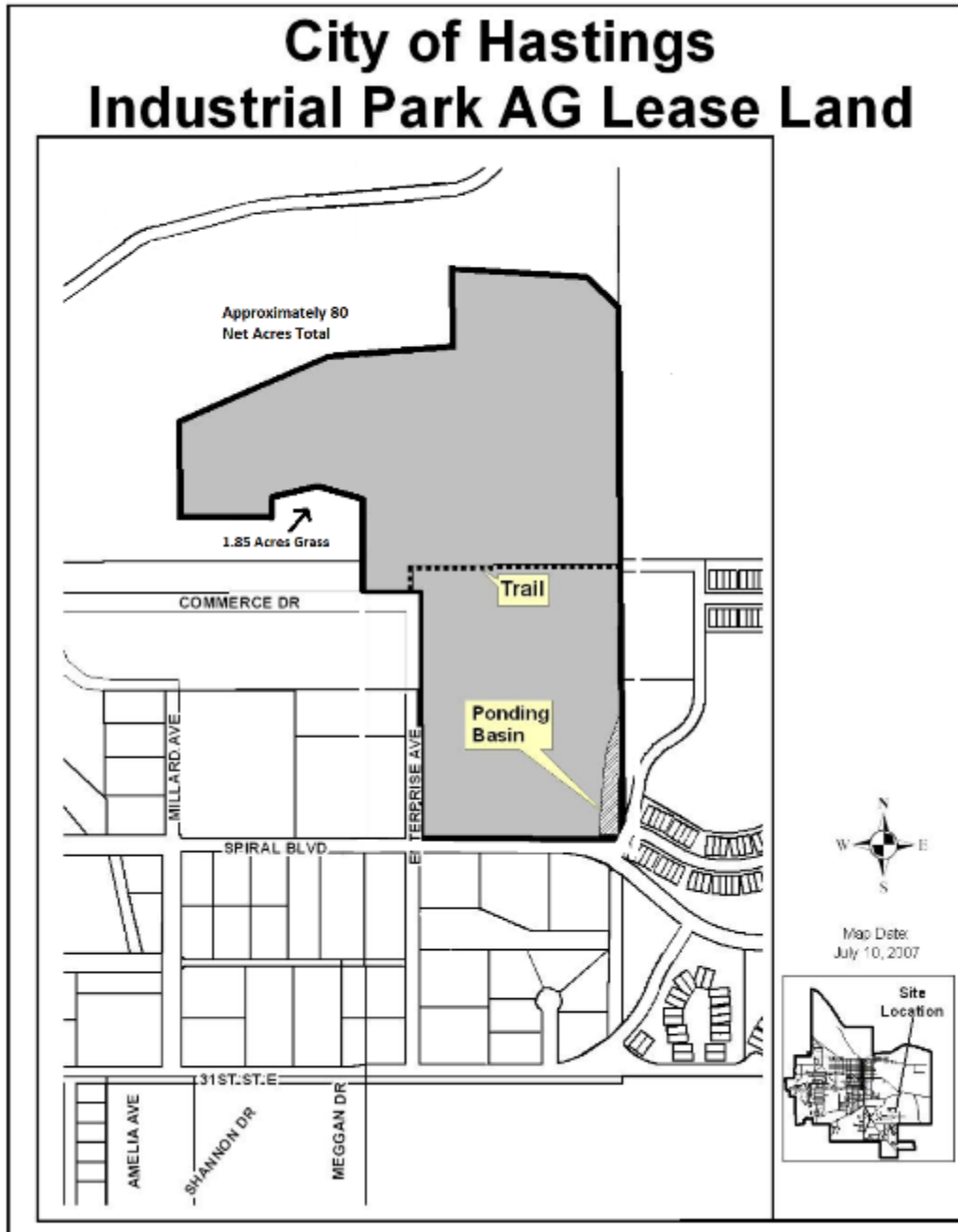
None

Council Committee Discussion:

None

Attachments:

- Location Map
- Dave and Joe Birk - Rental Bid Agreement
- Strohfus Farms – Letter, Rental Bid Agreement
- Terms and Conditions
- Dakota County SWCD - Benefits of Perennials -Hastings



PROPOSAL FORM AGRICULTURAL RENT AGREEMENT

CITY OF HASTINGS INDUSTRIAL PARK AGRICULTURAL LEASE

To: The City of Hastings

A. The firm, partnership, or individual doing business as Birk Bros.

DAVE & JOE BIRK, at the mailing address of _____

16522 Nicolai Ave, Hastings MN 55033

Having examined the property, and being familiar with the Terms and Conditions of the Agricultural Lease Agreement attached, including the conditions that nitrogen must be applied according to the best management practices, bidder understands that the lease is for a period of Three years and the bidder is choosing the following crop option (check option below):

Option A: Corn/Soybeans. Corn, if planted must be alternated with soybeans yearly,

Option B: Low nitrogen input crop, perennial crop or continuous living cover as defined by the Minnesota Department of Agriculture and accommodate educational field days per Terms and Conditions.

and hereby proposes to lease the entire specified property for an ANNUAL RENT PER ACRE of:

two hundred thirty three dollars, 00 cents (\$ 233.00)

B. A deposit (check) in the amount of ten (10) percent of the total annual rent for the whole property (approximately 80 acres):

One thousand Eight hundred Sixty four dollars, 00 cents (\$ 1864.00)

is enclosed and will be forfeited as provided by law if the undersigned's proposal is accepted by the City and the undersigned does not enter into an agreement with the City. The deposit will be returned to the above mailing address for those whose proposal is not accepted. The deposit of the part whose proposal is accepted will be retained by the City as a down payment of the first year's rent.

C. It is understood that the City has the right to accept or reject any or all proposals or parts of proposals and to waive informalities therein. Proposals will be received by Justin Fortney, City Planner at City Hall, 101 East 4th Street, Hastings, Minnesota 55033 until **4:00 pm on Monday, October 30, 2023**. Proposals will be opened that day at 4:10 pm., and the recommendation for entering an agreement will be made to the City Council at a following meeting. The award will be based on qualifications, bid price, and crop option.

Dave Birk Joe Birk

Signature(s) of individual, officers of the firm or members of the partnership

10-30-2023
Date

Select one of the following:

Option A:

- Corn and soybeans must be alternated each year.
- Lessee must follow all nitrogen fertilizer Best Management Practices (BMPs) for the Hastings Drinking Water Supply Management Area (DWSMA) as published by MDA and lessee will keep records documenting adoption of the BMPs. The BMP list is published online: <https://www.mda.state.mn.us/hastings-dwsma>

OR

Option B:

- Lessee must plant a low nitrogen input crop, perennial crop or continuous living cover as defined by the Minnesota Department of Agriculture. More information is available online: <https://www.mda.state.mn.us/chemicals/fertilizers/nutrient-mgmt/nitrogenplan/nitrogenmgmt/amts>
- Lessee may plant a short-season crop in the first year of the lease prior to establishing a perennial crop in the fall of that year.
- Lessee may utilize cost-share programs including, but not limited to, Dakota Soil and Water Conservation District Harvestable Covers Program, Forever Green Initiative Environmental and Economic Clusters of Opportunity (EECO) Program, and grants through Minnesota Department of Agriculture.
- Lessee must be willing to accommodate educational field days focused on nitrogen reducing crops in coordination with partners such as, but not limited to, Forever Green Initiative, Minnesota Department of Agriculture, Dakota County, and Dakota Soil and Water Conservation District.

The undersigned lessees have read and agree to these terms.

David Birk Joe Birk

10-30-2023
Date

John Strohfus**Subject:**

HASTINGS AG LAND BID COVER LETTER (OPTION B)

Dear Council Members:

Thank you for allowing us to bid on the Ag Land in the City of Hastings. As Ag land becomes more scarce we have found ourselves having to travel upwards of 30 miles to land access in MN and WI. So we value tremendously any and all opportunities in our local area.

Additionally, we appreciate the innovative new bid option this year to plant a Perennial Crop which supports a progressive farming / regenerative mindset not all farmers are yet suited to manage.

In addition to operating our Strohfus Stock Farm, LLC family farming entity www.strohfusstockfarm.com which commercially boards horses and operates approximately 800 acres of farmland I also founded a Foods company called Field Theory Foods (aka Minnesota Hemp Farms, Inc) www.fieldtheoryfoods.com.

Field Theory Foods is focused on bringing Regenerative Agriculture to our Food Supply. Thus we have been very engaged in the farming/agronomy side of soil health in Organics and the food supply chain side. We believe that we can make a Perennial Crop work on the 82 acres of land we are bidding on today.

For several risk reasons:

- 1) Unknown Soil Testing / Yield History
- 2) Higher Marketing Costs
- 3) Higher Overhead/Handling Costs of non-standard (Corn/Soy) operations.
- 4) Higher crop establishment (seeding) costs of Perennial Crops.

For those above reasons we must reduce our bid to a point where it makes economic sense. While some Perennial crops have a short term subsidy attached with them they are not guaranteed. Thus we are bidding to achieve the soil/water benefits of this program at a bid rate that allows us to not operate at loss. If we prove successful over this three year term we would eagerly bid again under same program at a potentially higher price and continue the conservation benefits.

Thanks again for the opportunity to bid on this land.

Respectfully,

John D. Strohfus

To schedule a meeting with me click here: <https://calendly.com/johnstrohfus>

Strohfus Stock Farm, LLC

Phone: (612) 384-5023

Fax: (877) 471-2057

Website: www.strohfusstockfarm.com

Follow Us On

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PROPOSAL FORM AGRICULTURAL RENT AGREEMENT

CITY OF HASTINGS INDUSTRIAL PARK AGRICULTURAL LEASE

To: The City of Hastings

A. The firm, partnership, or individual doing business as STROHFUS STOCK FARM LLC
_____ at the mailing address of 14530
90th St. S. HASTINGS MN 55033

Having examined the property, and being familiar with the Terms and Conditions of the Agricultural Lease Agreement attached, including the conditions that nitrogen must be applied according to the best management practices, bidder understands that the lease is for a period of Three years and the bidder is choosing the following crop option (check option below):

Option A: Corn/Soybeans. Corn, if planted must be alternated with soybeans yearly,

Option B: Low nitrogen input crop, perennial crop or continuous living cover as defined by the Minnesota Department of Agriculture and accommodate educational field days per Terms and Conditions.

and hereby proposes to lease the entire specified property for an ANNUAL RENT PER ACRE of:

100 dollars, 05 cents (\$ 100.05.) x ~~80~~

B. A deposit (check) in the amount of ten (10) percent of the total annual rent for the whole property (approximately 80 acres):

820 dollars, 41 cents (\$ 820.41.) [100.05 x 82 x 10%]

is enclosed and will be forfeited as provided by law if the undersigned's proposal is accepted by the City and the undersigned does not enter into an agreement with the City. The deposit will be returned to the above mailing address for those whose proposal is not accepted. The deposit of the part whose proposal is accepted will be retained by the City as a down payment of the first year's rent.

C. It is understood that the City has the right to accept or reject any or all proposals or parts of proposals and to waive informalities therein. Proposals will be received by Justin Fortney, City Planner at City Hall, 101 East 4th Street, Hastings, Minnesota 55033 until **4:00 pm on Monday, October 30, 2023**. Proposals will be opened that day at 4:10 pm., and the recommendation for entering an agreement will be made to the City Council at a following meeting. The award will be based on qualifications, bid price, and crop option.

JOHN D. STROHFUS ON BEHALF OF STROHFUS STOCK FARM LLC

John D. Strohfus
Signature(s) of individual, officers of the firm or members of the partnership

10-30-2023
Date

Select one of the following:

Option A:

- Corn and soybeans must be alternated each year.
- Lessee must follow all nitrogen fertilizer Best Management Practices (BMPs) for the Hastings Drinking Water Supply Management Area (DWSMA) as published by MDA and lessee will keep records documenting adoption of the BMPs. The BMP list is published online: <https://www.mda.state.mn.us/hastings-dwsma>

OR

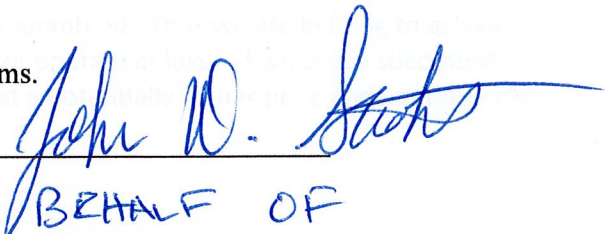
Option B:

- Lessee must plant a low nitrogen input crop, perennial crop or continuous living cover as defined by the Minnesota Department of Agriculture. More information is available online: <https://www.mda.state.mn.us/chemicals/fertilizers/nutrient-mgmt/nitrogenplan/nitrogenmgmt/amts>
- Lessee may plant a short-season crop in the first year of the lease prior to establishing a perennial crop in the fall of that year.
- Lessee may utilize cost-share programs including, but not limited to, Dakota Soil and Water Conservation District Harvestable Covers Program, Forever Green Initiative Environmental and Economic Clusters of Opportunity (EECO) Program, and grants through Minnesota Department of Agriculture.
- Lessee must be willing to accommodate educational field days focused on nitrogen reducing crops in coordination with partners such as, but not limited to, Forever Green Initiative, Minnesota Department of Agriculture, Dakota County, and Dakota Soil and Water Conservation District.

The undersigned lessees have read and agree to these terms.

JOHN D. STROHFUS

10-30-2023
Date


ON BEHALF OF
STROHFUS STOCK FARM, LLC

**TERMS AND CONDITIONS
AGRICULTURAL LEASE AGREEMENT
CITY OF HASTINGS INDUSTRIAL PARK AG LEASE**

1. The property leased is shown on the attached map, approximately 80 acres in the Hastings Industrial Park. The amount of acreage is based on a survey but is not warranted by the City. The City makes no warranty as to the condition of the property. The lessee has inspected the property and agrees to lease the property as is.
2. This agreement is for three crop years, 2024, 2025 and 2026. Annual rent shall be paid in full and received at City Hall, 101 East 4th Street, Hastings, Minnesota 55033 by October 30, 2024, October 30, 2025, and October 30, 2026.
3. This City property while under lease is subject to property tax to be paid by the lessees or user. Taxes are in addition to the rent. The Dakota County Assessors Office will be notified of the proposed use of property and lessee.
4. The lessee shall exercise due care when working so not to cause any damage to neighboring property, roads, and ditches, shall not access the property directly from Spiral Blvd, shall leave the property in neat and clean condition after harvest, shall maintain proper weed control on the property, and shall remove all crops from the property before the expiration of this agreement.
5. The lessee shall furnish at his own expense all labor, equipment, materials and services required to farm the property.
6. The lessee shall not hold the City liable for any damages or injuries related to farming this property.
7. The lessee understands that the property is for sale and that the City reserves the right to sell any amount at any time. The City will advise the lessee of any sales known or pending. The lessees' interest, under the terms of this agreement, in the acres sold is terminated at the time of closing. Lessee agrees to sign any document terminating lessee's leasehold interest in any property which is sold. At the discretion of the City, the lessee shall be permitted to tend and harvest the crops before the new owner takes possession, OR the rent and farming input costs incurred for the acreage sold shall be deducted from the year's rent.
8. The lessee understands that the most recent crop was soybeans and herbicides used include Enlist, Roundup, Clethodim, Dual, AMS.
9. The lessee shall allow the MN Dept of Agriculture (MDA) to install lysimeters on the specified property and allow MDA to collect samples throughout the growing season. Lysimeter installation and sample collection will not interfere with crop planting or harvest.
10. The Lessee will plant crops according to the following condition (check option below):

Select one of the following:

Option A:

- Corn and soybeans must be alternated each year.
- Lessee must follow all nitrogen fertilizer Best Management Practices (BMPs) for the Hastings Drinking Water Supply Management Area (DWSMA) as published by MDA and lessee will keep records documenting adoption of the BMPs. The BMP list is published online: <https://www.mda.state.mn.us/hastings-dwsma>

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Option B:

- Lessee must plant a low nitrogen input crop, perennial crop or continuous living cover as defined by the Minnesota Department of Agriculture. More information is available online: <https://www.mda.state.mn.us/chemicals/fertilizers/nutrient-mgmt/nitrogenplan/nitrogenmgmt/amts>
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The undersigned lessees have read and agree to these terms.

Date

BENEFITS OF PERENNIAL CROPS

PARTNERING ON CITY OF HASTINGS CROPLAND

01

Goals Align

City of Hastings Wellhead Protection Plan goals include “Encourage agriculture land use practices that minimize nitrate loading to groundwater” and “Support the distribution of educational materials aimed at reducing nitrate loading to groundwater from agricultural lands.” These align with partner goals in the State Groundwater Protection Rule and County Agricultural Chemical Reduction Effort (ACRE) Plan.



02

Real Results

Perennial crops have deep roots in the soil year-round that are proven to reduce nitrate leaching to groundwater. Groundwater modeling results show a potential reduction of nitrate leaching by 90% if this field is converted from annual row crops to perennial crops.



03

Story Worth Sharing

Perennial crops, such as Kernza® come with a great story about water quality and partnerships. Highlighting these benefits could bring new businesses to the Hastings community and shows leadership from the City of Hastings for addressing the nitrate issue.



04

One Field to Many

While the City of Hastings cropland is just one field, educational field days hosted at this field can help expand knowledge about perennial crops, helping others feel confident about planting perennial crops throughout the Hastings Drinking Water Supply Management Area (DWSMA).



05

Establish Connections

Current partners include Forever Green Initiative (FGI), Minnesota Department of Agriculture (MDA), Dakota County, Dakota Soil and Water Conservation District (SWCD) and Perennial Pantry. Each partner brings unique resources to the table and all have connections with farmers.

