

THE CITY OF



OWATONNA

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TO: Honorable Mayor and City Council Members, City Administrator
FROM: Dave Beaver, Airport Manager
DATE: Mar. 11, 2021
RE: Farm land lease agreements

Purpose:

Council to approve farm land lease agreements for crop years 2021 and 2022.

Background:

The City of Owatonna has 136.5 acres rented under farm land lease agreements that are currently available for public bid on a two year schedule. Bids were received for these four parcels ranging in size from thirteen to sixty-two acres. The high bid received for all parcels was for \$307.00 per acre.

There are also 241.5 acres of farm land divided into several parcels located at the airport that are not included in the bid process for various reasons related to each piece including access, shape, and adjacent property considerations. These agreements are renewed annually with rates based on bids received for bid parcels, Steele County Extension office data, parcel farmability, operator input, and other market considerations. Based on these factors and the 2021 rate schedule the following leases have been prepared:

Renter	Years	\$307.00/Acre	Annual Payment
David Janke	2021-2022	13A x \$307.00 (EDA)	\$3,991.00
		16.5A x \$307.00 (EDA)	\$5,065.50
		62A x \$307.00 (EDA)	\$19,034.00
		45A x \$307.00	\$13,815.00
		Total	\$41,905.50

Renter	Years	\$215.00/Acre	Annual Payment
Bob Cole	2021	50A x \$215.00	\$10,750.00
		15A x \$215.00	\$3,225.00
		20A x \$215.00	\$4,300.00
Dan Morgan	2021	23A x \$215.00	\$4,945.00
Paul Maas	2021	16A x \$190.00	\$3,040.00
Duane Schroeder	2021	20.5A x \$215.00	\$4,407.50
Bob Swedberg	2021	89A x \$215.00	\$19,135.00
Andy Michaletz	2021	8A x \$215.00	\$1,720.00
		Total	\$51,522.50

Notes:

- The parcel leased to David Janke containing 62 acres was reduced from 76 acres due to development by Minimizer.
- The 16 acres of farm land property located near the airport and east of I35 farmed by renter Paul Maas has areas that are consistently wet and produce low yields and reflects a reduced rate.
- The high bid received for the four bid parcels was \$14.00/acre lower than the 2019-2020 bid cycle.

- Based on the Airport Commission review of rates as approved on the 2021 rate schedule, an adjustment of \$10.00/acre rate reduction for non-bid parcels is provided for in the agreements.
- The agreements provide that the City reserves the right to take possession of all or part of the rented property if needed for other purposes. In that event, the tenant shall be compensated for any lost or damaged crop for that year.

Budget Impact:

<u>Description</u>	<u>2021</u>	<u>2022</u>
EDA Land (Industrial Park)	\$28,090.50	\$28,090.50
Airport	\$65,337.50	Reviewed Annually
Total	\$93,428.00	\$28,090.50

Recommendation:

Staff recommends acceptance of the high bid received for the four bid parcels and approval of the renewal agreements as presented for crop years 2021 and 2022.