

Rural Economies Workgroup

To: Jon Laria, Chairman, Maryland Sustainable Growth Commission

From: Greg Bowen, Rural Economies Workgroup Chair

Subj: Status Report on Rural Economies Workgroup Activities

Date: September 28, 2015

The Rural Economies Workgroup met on September 11th to review the progress of its subcommittees (Sustainable Food and Food Production, Sustainable Forestry, Land Preservation and Protected Open Space, Rural Development and Recreation, and Sustainable Fisheries). The bulk of this meeting focused on refining the recommendations from the Land Preservation & Open Space and the Sustainable Forestry Subcommittees, which were previously presented to the Growth Commission on July 27. Summary notes from the September 11th meeting immediately follow this status report.

The Sustainable Forestry Subcommittee recommendations, presented at July 27th Growth Commission meeting are listed again on pages 5 to 7 of this report. No changes are proposed to the Subcommittee's recommended work plan. At the Commission's last meeting, members asked whether these recommendations had been reviewed by DNR's Forestry Services and if these recommendations would have any impact on carbon sequestration or current Climate Change strategies. DNR's Forest Services reviewed the recommendations and determined that "the action items proposed by the Sustainable Forestry Subcommittee have the potential to enhance carbon sequestration in MD forests." DNR Forest Services' full review can be found on page 8 of this report. At the September 11th meeting, the Workgroup voted to recommend the Growth Commission send letters of support for the Sustainable Forestry Subcommittee Work Plan and request the identified participants assist in the work plan's implementation. **(See page 9 for draft letter.)**

The Rural Economies Workgroup also refined the recommendations of the Land Preservation and Open Space Subcommittee, which will be summarized in a PowerPoint presentation on September 28th. To move forward with the first two recommendations, draft letters have been prepared regarding (1) recognition that land preservation is economic development and makes fiscal sense, and (2) the need to safeguard the real property transfer tax and the agricultural transfer tax for its intended purpose of land preservation, recreation and heritage areas. **(See pages 10 and 11 for draft letters.)** The Subcommittee will continue to investigate and refine its other two recommendations regarding (3) the need for tax credits for donated/discounted easements to be easier and a more attractive alternative to easement purchases; and (4) following up on MDP's Ad Hoc Committee studying county Transfer of Development Rights (TDR) programs to improve the effectiveness of county TDR efforts.

In addition to the recommendations of the Land Preservation and Sustainable Forestry Subcommittees, the Rural Development and the Sustainable Food & Food Production Subcommittees continue to meet and develop policy recommendations.

The next meeting of the full Workgroup is November 13.

Maryland Sustainable Growth Commission – Rural Economies Workgroup Agenda and Notes Document	
Meeting Notes For: Rural Economies Workgroup	
Date and time:	September 11, 2015 @ 1 pm
Called by:	Greg Bowen
Facilitator's Name:	Chuck Boyd
Attendance:	Greg Bowen, Chuck Boyd, Deborah Carpenter, Elliott Campbell, Debra Celnik, Daniel Colhoun, Nevin Dawson, Jason Dubow, Colby Ferguson, La Verne Gray, Charlotte Lawson Davis, Les Knapp, Steve McHenry, Jim Mullin, John Papagni, Dru Schmidt-Perkins, Dan Rider, Dan Rosen, David Umling, Duane Yoder
Notes Taken By:	Chuck Boyd
Agenda and Notes:	
<p>1. Attendance – 19 members attended in person or by conference call.</p> <p>2. Status Report on the five (5) Subcommittees by each facilitator highlighting items discussed and future actions:</p> <p>A. Sustainable Food and Food Production Subcommittee (La Verne Gray facilitator)</p> <p>The Sustainable Food and Food Production Subcommittee met on August 4, 2015. The theme of the meeting was: <i>What is working – What are the Impediments?</i> Joanna Kille, a member of the Subcommittee and representing MDA, provided an overview of the marketing activities and strategies used by her department. Greg Bowen then provided a power point presentation titled: <i>Health, Safety and Zoning Regulations and their impact on the local food movement</i>. The presenter questioned, “What Can MSGC Do?” The suggested answers were 1) Advocate for legislature and Governor to adopt a resolution urging all departments to coordinate efforts to support local food systems; 2) Urge state land preservation programs to give priority to helping beginning farmers get access to land; and 3) Urge state agencies to work together to address water and housing needs for farmers.</p> <p>In response to these presentations the Subcommittee decided to first investigate the impediments identified by both presenters with the intention of providing tools designed to increase predictability of food sales for farmers.</p> <p>The next step is to interview/survey agricultural marketing professionals throughout the state for their insight into the issues of safety and zoning regulations. The Subcommittee also decided to look into the ways that other state agencies were involved in supporting the agricultural economy.</p> <p>Staff is in the process of talking to agricultural marketing professionals to identify issues and concerns. The next meeting will include three marketing professionals recommended by the Subcommittee for the purpose of sharing information.</p> <p>B. Sustainable Forestry Subcommittee (Jason Dubow/Elliott Campbell facilitators)</p> <p>Jason Dubow reported that the Forestry Subcommittee’s report of “Priority Action Items,” which lists eight recommendations to address impediments to an economically and environmentally healthy forestry sector in Maryland, was presented to the Growth Commission on July 27. The Growth Commission asked that the Subcommittee’s recommendations be reviewed by DNR’s Forestry Services to assess their climate change implications. DNR’s Forestry Service will be submitting its comments shortly, but it was</p>	

reported that DNR will likely indicate that the Subcommittee's recommendation have no impact on carbon sequestration and climate change. Dan Rider stated the recommendations, in fact, should improve efficiency of forestry operations.

The Workgroup members then discussed what specific actions the Rural Economies Workgroup ask the Commission to take. It was recommended that the Commission should endorse the Subcommittee's Work Plan and send letters to the identified organizations requesting their participation in implementing the work plan. Greg Bowen also recommended including in the letter a request for an annual report to the Commission on the work plan's progress.

Steve McHenry made a motion to request the Commission to support the Sustainable Forestry Work Plan and to send letters to key agencies to help implement work plan and annually report on the plan's progress. No one opposed the motion.

C. Land Preservation and Protected Open Space Subcommittee (Dan Rosen facilitator)

Greg Bowen explained the draft PowerPoint is intended to be used at the next Growth Commission meeting to summarize the Land Preservation Subcommittee report / recommendations. Mr. Bowen noted that this PowerPoint is probably too short at this point and needs some additional background information on the land preservation issue.

Dan Rosen reviewed each of the PowerPoint slides, and Workgroup members provided recommended changes to the presentation. Mr. Rosen will revise the PowerPoint presentation for the upcoming Growth Commission meeting.

The Workgroup members focused much of its discussion on Recommendations #1 and #2, and recommended that the Growth Commission should send letters emphasizing the economic benefits of land preservation and halting the diversion of real estate transfer tax and agriculture land transfer tax away from land preservation. The Workgroup members indicated that Recommendation #3 should be more general at this point focusing on the benefit of enhancing the tax credit program for donated/discounted easement sales, since the fiscal impact is not fully understood at this point. The Workgroup also acknowledged that the TDR Ad Hoc Committee is currently studying county TDR programs and suggested once the Committee has completed its study, the Workgroup may want to have a follow-up briefing on next steps/implementation of the TDR study.

D. Rural Development and Recreation Subcommittee (Chuck Boyd facilitator)

Mr. Boyd reported that MDP is developing some guidance documents to assist in the Priority Funding Area (PFA) designation and administrative processes. These are still under review and refinement and will be shared with the Subcommittee once a final draft is ready.

E. Sustainable Fisheries Subcommittee (Chuck Boyd facilitator)

This Subcommittee still needs to be organized. Chuck Boyd noted that due to staffing limitations this subcommittee is awaiting allocation of sufficient staff resources to move forward.

3. Next Workgroup meeting is November 13, at 1 pm at MDA Headquarters in Annapolis. Meeting will start with Rural Development Subcommittee items first.

Key Actions (and who has agreed take on)	Describe action and indicate when action is due
1. Sustainable Forestry Recommendations	Prepare Commission letter to agencies endorsing Sustainable Forestry Subcommittee Work Plan and asking for participation implementing work plan
2. Land Preservation Report	Revise Land Preservation PowerPoint slides based on comments at meeting
3.	Draft Letter to Governor and General Assembly regarding Recommendation #1
4.	Draft Letter to the Joint Chairmen's Land Preservation Workgroup
Resource Materials used and draft documents	<ul style="list-style-type: none"> - Subcommittee Meeting Notes - -

Sustainable Forestry Subcommittee Report of Priority Action Items with Recommended Paths Forward

The Sustainable Forestry Subcommittee of the Rural Economies Workgroup has identified several impediments to an economically and environmentally healthy forestry sector in Maryland, along with action items that would help in addressing them.

In each case below, as we move forward the Rural Economies Workgroup will periodically report to the Maryland Sustainable Growth Commission on the progress of each "path forward" and will indicate whether any problems arise that would require a different approach.

1. Integration of sediment and erosion control plans into forest management plans

Forest management plans allow forest landowners to lay out the expected activities on their land over a 15 year period through the guidance of a Maryland licensed professional forester. Currently, a primary incentive for landowners to seek the development of a forest management plan is they can receive tax benefits based on the expectation that the land will be kept as well-managed forest. In the future, the prospect of eliminating a significant bureaucratic barrier to the timely marketing of products by incorporating planned harvesting activities in the overall forest management plan guidance is expected to greatly increase the acreage of forests benefiting from professional planning. The subcommittee identified that more landowners would engage in forest planning if a sediment and erosion control plan, required for all forest harvests, could be integrated into a forest management plan. This would bring regulations guiding silviculture more into line with those applying to agriculture in the state. Essentially, any harvesting expected to occur during the planning horizon would be thoroughly integrated into the forest management plan, and all of the required approvals would be obtained during the preparation of the forest management plan, e.g. review by Maryland DNR's Wildlife and Heritage Service. This is exactly parallel to Soil & Water Quality Plans (i.e., "farm plans"). This change may not need to be legislated, but would require regulatory collaboration between MDE (responsible for erosion and sediment control plans), DNR (responsible for establishing the standards of forest management plans and also happens to prepare the majority of forest management plans), county governments, and the Maryland Association of Soil Conservation Districts (MASCD)(review harvest applications). Numerous landowner and industry surveys dating back since at least the past decade have consistently ranked this issue as a primary issue to address. It would improve business efficiency while simultaneously increase the amount of forested land being cared for with professional guidance.

Path forward: Pursue regulatory collaboration between DNR, MDE, county governments, and soil conservation districts to implement this measure.

2. Standardize the application procedure for harvesting across the state.

Currently, the process to apply for a harvesting permit is not consistent across the state. It varies county to county, as detailed by the [Maryland Green Book](#), put out by UM Extension. The lack of a consistent process was identified by the industry, foresters and landowners as a major impediment to harvesting and continued commitment to keeping forest as forest, particularly in counties where the wait for a completed application was exceptionally long,

costly, or cumbersome. We propose creating standard guidelines for applying for and obtaining a forest harvesting permit. The exact standardized process is to be determined but would likely build off of similar efforts partially attempted in the 1990s but failed to be completed due to staffing reductions at DNR and MDE.

Path forward: Pursue MACo, DNR and MDE collaboration to create a standard guideline for forest harvest applications to be recommended for all Maryland counties. This would be a non-regulatory, non-legislative approach.

3. **Expand the market for local wood through the following means:**

(a) make local wood the preferred building material for state construction projects (this might require working with the Maryland Green Building Council); (b) establish a “Buy Local” campaign by partnering with wood marketing programs (e.g. SUSTA) in a formal, deliberate, sustained and committed fashion to promote and market Maryland made wood products; (c) add an addendum to the state’s building code allowing the appropriate use of local lumber.

Path forward: DNR and MDP will conduct research to determine the best approach for implementing this recommendation, including discussions with DHCD and the Maryland Green Building Council, and will bring that approach forward to the Growth Commission for its endorsement.

4. **Provide incentives**, such as tax credits, cost-share and/or technical assistance to developers or builders who install pellet stoves or wood chip boilers in new residential or commercial construction.

Path forward: DNR will initiate discussions with the Maryland Energy Administration and stakeholders to identify a legislative approach that all parties can agree to.

5. **Expand the Maryland Forests Products Utilization and Marketing Program** in support of private forest landowners and develop a robust plan addressing emerging opportunities such as biofuels and ecosystem services. To make this a success, ensure that Maryland’s annual budget provides for both the University of Maryland Extension and DNR Forest Service to have a full-time employee dedicated to forestry (language from the Sustainable Forestry Act of 2008 could be referenced to support this).

Path forward: DNR and the University of Maryland Extension will develop a budget proposal, supported at the top executive level in each organization, for consideration by the Governor's Office in their annual budget.

6. **Establish a policy for forest cooperatives in Maryland.**

Maryland does not currently have a policy to govern potential forest cooperatives in the State. This was brought to light with the recent formation of a group of forest landowners in the Prettyboy Reservoir area of Baltimore Co. Forest cooperatives are advantageous to landowners as they allow small landowners to aggregate their resources (or needs) to capture economies of scale for management activities and harvests, and in some cases, marketing. Forest cooperatives have been successfully established in states like Massachusetts, Virginia, Florida, and Wisconsin, to name a few. The Mountain Loggers Cooperative Association is a long-lived

successful “buyer’s cooperative” serving logging business members in western Maryland, West Virginia and Pennsylvania. The proposed policy would encourage the voluntary creation of forestry cooperatives among landowners and allow them to apply jointly for forest harvest permits, grants, cost-share funds, and formulate a group forest management plan. This would expand access to timber products otherwise “locked up” in land tracts too small to efficiently operate, and would allow small landowners to collaborate with neighbors to achieve common forest improvements (e.g., thinning overcrowded woods to improve growth and quality or salvage harvesting due to insects and disease).

Path forward: DNR will collaborate with MDE to rewrite state policy governing applications for harvest permits, grants, cost-share funds, and forest management plans to allow for applications by a state sanctioned forest landowner cooperative. This will not require a regulatory or legislative approach.

7. **Provide a zero property tax for landowners enrolling 10 acres or more in an easement** that requires generating forest products on a 30-year term. Only properties in specific "working landscape" districts would qualify.

Path forward: DNR will initiate discussions with the Comptroller's Office and stakeholders to identify a legislative approach that all parties can agree to.

8. **Support markets for products using wood residues/by-products/waste** (e.g. wood plastic composites, structural lumber, fenestration components, signage, wood stove or boiler fuel pellets, feedstock for cellulosic ethanol production, wood waste from urban wood maintenance) and provide incentives to builders who use building materials made from locally sourced wood residue. To accomplish this, expand the Maryland Forests Products Utilization and Marketing Program to allow additional resources to be dedicated to market development for waste wood material, and provide a tax incentive to manufacturers and builders that use a certain percentage of waste wood materials in their operations.

Path forward: DNR, in collaboration with the Maryland Wood Energy Coalition, will pursue the same actions as under action items 5 and 7.

Climate Change Implications of the Sustainable Forestry Sub-Committee's Priority Action Items

The Maryland DNR Forest Service has a vested interest in the role of forests in the global carbon cycle. Forests uptake and store more carbon than any other land use, and forest management practices are a significant component to mitigating statewide greenhouse gas emissions. The action items proposed by the Sustainable Forestry Sub-Committee have the potential to enhance carbon sequestration in MD forests by expanding the accessibility of professional forestry services to landowners with small landholdings [6], promoting forest land conservation through tax incentives [7], encouraging the use of sustainable forestry practices by streamlining and standardizing the permitting process of forest harvest [1-2], incentivizing renewable wood-energy [4-5], and promoting local markets for forest products [3, 8].

Forest conservation is one of the most cost-effective strategies to avoiding greenhouse emissions, yet deforestation continues to be a concern in Maryland. Across the state, forestland ownership is trending toward smaller (<10 acre) parcels that can be cost-prohibitive for forest management activities, and isolation from professional forestry services can prevent landowners from meeting land management goals. Limited access to forestry resources combined with high property values or commodity prices increases the risk of deforestation. However, forest cooperatives provide economic value to even small tracts of forest, which can reduce the risk of deforestation and even encourage reforestation. Creating a state-level policy for forest cooperatives is an important first step to expanding landscape-level forest conservation in the most developed regions of the state.

The current process to obtain a forest harvest permit creates uncertainty in the harvest design that can be detrimental to both the landowner and forest harvest operator during contract negotiations. Therefore, the current permitting process does not allow the financial market to fully reward forest conservation. The Sustainable Forestry Sub-Committee's recommendation to issue forest harvest permits as part of a state Forest Stewardship Plan minimizes this uncertainty by clearly identifying the forest harvest restrictions of an individual property (e.g., wetland areas) prior to any marketing of timber and subsequent contract negotiations. In addition, the certainty that the permit requirements will be reevaluated coincident with mandated reviews of Forest Stewardship Plans at least once every five years ensures that needed protections of special resources are kept up-to-date. This would eliminate unexpected limitations placed on timber harvests at time of contract negotiation and instead allow for advance planning and management, thereby improving overall management success of the forest.

Issuing forest harvest permits in conjunction with state Forest Stewardship Plans has additional benefits beyond forest conservation. Forest health is the foundation of a Forest Stewardship Plan, and by addressing a broad suite of forest health issues land managers have the greatest potential to optimize forest growth and, if desired, the production rate of forest products. Forest Stewardship Plans follow stringent verification protocols on 3-5 year cycles and implementation rates consistently exceed 95%. Therefore, there is a very high degree of confidence that increased program enrollment resulting from the incentive of a more efficient permitting process will positively impact carbon sequestration in MD forests. It is important to emphasize that this program also supports state goals for water quality and wildlife habitat, and increased participation will also benefit other natural resource sectors.

Since 85% of all forests in Maryland are owned by individuals and families, the collective decisions of private forest owners will ultimately determine the fate of forest carbon stocks. The Sustainable Forestry Sub-Committee's priority action items create attractive conditions to retain and seek professional care for private forests: key strategies for sequestering carbon. If fully enacted, the suite of recommendations has great potential to both positively reinforce the market-based incentives of forest conservation and significantly advance carbon sequestration in Maryland.



September 28, 2015

[Address of Agency/Organization listed in Work Plan]

Re: Request for Assistance

Dear [Lead of Agency/Organization]:

The Maryland Sustainable Growth Commission at its September 28, 2015 meeting expressed its support to implement the work plan of the Sustainable Forestry Subcommittee of the Rural Economies Workgroup, as described in the attached Report of Priority Action Items with Recommended Paths Forward (July 17, 2015).

Your [agency/organization] is listed as having a key role in this work plan. Through this letter, as Chair of the Commission, I am requesting your organization's participation in the implementation of the Sustainable Forestry Subcommittee's work plan. [Subcommittee member] has been an active member of the Sustainable Forestry Subcommittee representing your [agency/organization], and the Commission is requesting your continued support on the Sustainable Forestry Subcommittee. Please indicate whether [Subcommittee member] will be your lead for this effort or whether you would like to designate a different lead from your [agency/organization]. **Please contact Elliott Campbell, Ph.D., Maryland Department of Natural Resources at elliott.campbell@maryland.gov or 410.260.8073 to provide this information.**

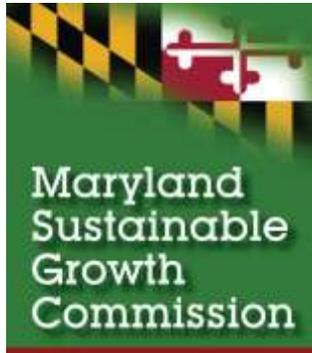
Moving forward, the Rural Economies Workgroup will provide annual reports to the Maryland Sustainable Growth Commission on our collective progress in implementing the Workgroup's Subcommittee work plans. [Commission member] currently represents your [agency/organization] on the Maryland Sustainable Growth Commission. We look forward to working with you, [Commission member] and your designated Sustainable Forestry Subcommittee lead to inform the Workgroup's annual reports with details of your [agency/organization]'s work plan implementation efforts.

If you have any questions, please feel free to contact me directly by e-mail at laria@ballardspahr.com or 410.528.5506.

Sincerely,

Jon Laria, Chair

(Please note: This letter will be adjusted slightly for agencies/organizations without representatives on the Sustainable Forestry Subcommittee and/or the Maryland Sustainable Growth Commission.)



September 28, 2015

Honorable Larry Hogan
Governor, State of Maryland
100 State Circle
Annapolis, MD 21401

Dear Governor Hogan:

We hope this letter finds you in good spirits and making further progress in your recovery.

The Maryland Sustainable Growth Commission is pleased to submit to you the following recommendation for enhancing rural economies all over Maryland. We are also pleased to note that this step does not require new legislation or additional funding.

What we recommend is that the elected leaders of State government expand their understanding of land preservation to include an idea that is becoming increasingly evident **that land preservation is economic development** and, in addition to the many other benefits it provides, it makes fiscal sense.

Fortunately Maryland has an existing program that is already hard at work. The Real Property Transfer Tax funds the critical land preservation programs that fuel the rural economy. Full funding of this dedicated fund will enable all the programs that benefit from this fund to meet their goals and ensure that our rural areas thrive.

For many years rural land was considered “leftover space” that should be developed when the time came. We now know that preserved land—unlike most residential development—provides more in tax revenue than it receives in services. More important, many businesses depend upon an agricultural and forested land base; value-added products made from agricultural and forest products provide a substantial area for economic growth.

An important component of a vibrant rural economy is the recognition from the Governor and General Assembly that full funding for land preservation is good policy AND essential to rural resource-based economic development, and that preservation costs less than providing public services to rural land after it is developed.

Thank you very much for your consideration of this essential rural economic development strategy. We appreciate your continued support in this effort.

Sincerely,

Jon Laria, Chair



September 28, 2015

Mr. Mark Belton
Secretary, Maryland Department of Resources
Department of Natural Resources
Tawes State Office Building,
580 Taylor Ave.
Annapolis, MD 21401 - 2397

Dear Secretary Belton:

We are writing to you today in your capacity as Chairman of the Comprehensive Workgroup-led Review of State Land Preservation and Easement Acquisition, otherwise known as the Joint Chairman's Land Preservation Workgroup ("Land Preservation Workgroup").

The Maryland Sustainable Growth Commission has adopted several recommendations from its Rural Economies Workgroup that complement the work of the Land Preservation Workgroup and that warrant inclusion in your reports and communications with elected officials. These recommendations are:

- ❖ To stop diverting state revenues through the legislative budgeting process from the real property transfer tax and the agricultural land transfer tax, which are dedicated to Program Open Space, Agriculture Land Preservation Fund, Rural Legacy Program, and Heritage Conservation Fund;
- ❖ To utilize the initial percentages of revenue distribution established by the legislators for the intended purposes of land preservation, recreation and heritage areas; and
- ❖ To consider a constitutional amendment creating a "lockbox" for land preservation funds in the event that state transfer tax funds continue to be diverted in the future.

It is important to note that when the general public pays the state transfer tax they do so with the understanding that these revenues will be used for the intended purposes of land preservation, recreation and heritage areas, as initially established by the General Assembly. Diverting these state revenues undermines the public's trust and hinders the state's ability to achieve its land preservation goals.

If there is time remaining on your work plan, we would be happy to talk to your Workgroup about the full range of conclusions and recommendations from the Sustainable Growth Commission's Rural Economies Workgroup and its subcommittees.

Sincerely,

Jon Laria, Chair