

Date of Meeting: July 12, 2013

**BOARD OF SUPERVISORS  
TRANSPORTATION AND LAND USE COMMITTEE  
ACTION ITEM**

**# 5**

**SUBJECT:** Zoning Ordinance Amendment  
Adding Definition of Value-Added Agricultural Processing

**ELECTION DISTRICTS:** Countywide

**CRITICAL ACTION DATE:** At the Pleasure of the Board

**STAFF CONTACTS:** Michelle Lohr, Zoning Administration  
Nicole Dozier, Zoning Administrator  
Terrance Wharton, Director, Building and Development

**RECOMMENDATION:**

**Staff:** Staff recommends that the Transportation and Land Use Committee (TLUC) recommend that the Board of Supervisors direct staff: (1) to amend the definition of Agricultural Processing in the Revised 1993 Loudoun County Zoning Ordinance, to include the manufacture of products derived from agricultural products produced on site; (2) to consider amending the districts in which Agricultural Processing should be permitted by right; (3) to review and amend the performance standards for Agricultural processing; and (4) to incorporate such amendments in conjunction with the Brewery Zoning Ordinance Amendment, scheduled to begin upon the conclusion of the Bed and Breakfast Zoning Ordinance Amendments.

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**BACKGROUND:**

On February 6, 2013 the Board of Supervisors (Board) discussed consideration of a Zoning Ordinance Amendment, initiated by Supervisors Clarke and Higgins, to revise the definition of Agricultural Processing in the Revised 1993 Loudoun County Zoning Ordinance to allow for value-added processing and to permit such use by right in all AR, TR, and JLMA zoning districts. The Board raised questions regarding whether or not the proposed amendments would create a competitive advantage for one business over another and whether the County has the staff to process another Zoning Ordinance Amendment at this time. At the February 6, 2013 business meeting the Board voted (9-0) to refer the item to the Transportation and Land Use Committee (TLUC) for further discussion.

**DISCUSSION:**

Value-Added Agriculture

The concept of Value-Added Agriculture is creating a new product from a product produced on a farm that results in the farmer receiving added value to an item. The United States Department of Agriculture defines value-added products as:

- *A change in the physical state or form of the product (such as milling wheat into flour or making strawberries into jam).*
- *The production of a product in a manner that enhances its value, as demonstrated through a business plan (such as organically produced products).*
- *The physical segregation of an agricultural commodity or product in a manner that results in the enhancement of the value of that commodity or product (such as an identity preserved marketing system).*

*As a result of the change in physical state or the manner in which the agricultural commodity or product is produced and segregated, the customer base for the commodity or product is expanded and a greater portion of revenue derived from the marketing, processing or physical segregation is made available to the producer of the commodity or product.”*

The Revised 1993 Loudoun County Zoning Ordinance (Zoning Ordinance) includes Agricultural processing, a use which allows for limited types of value-added agricultural production. Agricultural Processing is defined in Article 8 as “*Processing operations for agricultural products including meat preparation; feed mills; dairy processing; timber processing; and fruit and vegetable packing, sorting and grading, as an accessory use to an agriculture, horticulture or animal husbandry use.*” This agenda item proposes amending the Zoning Ordinance to allow for more types of value-added processing. Staff is considering potential amendments to the Agricultural Processing definition to include the *transformation or manufacturing* of raw products produced on the farm into a different product, thus expanding the types of products permitted to be produced on site. Examples of value-added products include, but are not limited to: food products such as jams and jellies, pies, salsa, soup, chili, yogurt, sausage, jerky; beverages such as tea, juice, cider, and beer; and hard goods such as spun wool and wool blankets.

To insure that the products produced are accessory to the agricultural use of the property, staff proposes to require a minimum percentage, such as 51 percent, of the raw materials used in the processing/manufacturing of the final product to be produced on the farm. In addition, to address potential impacts of the use, performance standards could be developed by staff. Such standards may include: the aforementioned use of a minimum percentage of raw products from those produced on site, minimum acreage, maximum structure size, minimum setback standards, hours of operation, and limitations on numbers of visitors and employees.

### Permitted Districts

Agricultural processing is a permitted use in the AR-1 (Agricultural Rural-1), AR-2 (Agricultural Rural-2), JLMA-20 (Joint Land Management Area-20), JLMA-3 (Joint Land Management Area-3), JLMA-2 (Joint Land Management Area-2), and JLMA-1 (Joint Land Management Area-1) zoning districts and as a special exception use in the TR-10 (Transitional Residential-10) and

TR-3 LBR (Transitional Residential-3) zoning districts. Agricultural processing facilities are listed as a special exception use in the A-10 (Agriculture) and A-3 (Agricultural Residential) zoning districts. The proposal is to consider allowing the revised Agricultural processing use by right in the AR-1, AR-1, JLMA 20, JLMA 3, JLMA-2, JLMA-1, and TR-10, TR-3 zoning districts. Staff proposes to review the districts proposed for inclusion of the revised Agricultural processing use.

## **ISSUES:**

At the February 6, 2013 Board of Supervisors meeting, the following questions were raised:

1. Does the County have the staff to process another Zoning Ordinance Amendment at this time? Staff resources are currently maximized and if another separate Zoning Ordinance Amendment is initiated, it may cause a delay in already scheduled ZOAMs. As an alternative, Staff recommends addressing value-added processing in conjunction with the Brewery Zoning Ordinance Amendments already included in the Board's Strategic Plan and scheduled to begin after conclusion of the Bed and Breakfast Zoning Ordinance Amendments. The Amendments would include revising the Agricultural Processing definition and performance standards to enhance the types of value-added production permitted on a farm. In fact, it is possible that the manufacturing of beer could be included within the revised definition of Agricultural Processing. The anticipated timeframe for the Brewery ZOAM is to be in review by the Planning Commission in the 1<sup>st</sup> quarter of 2014 and to the Board of Supervisors for consideration by the 2<sup>nd</sup> quarter of 2014.
2. Will Agricultural processing or manufacturing enterprises on agricultural property in land use have a competitive advantage of one business over another through a tax policy? According to the Commissioner of Revenue's Office, the building within which the business is conducted and the land on which that building sits are taxed at the same rate as a similar business located elsewhere in the County. The land use taxation program provides a tax deferral only for the portion of the property that is in agricultural use, such as fields for crop production or pasturing of animals, but not for the processing or manufacturing component.

## **ALTERNATIVES:**

1. The TLUC may recommend that the Board incorporate the proposed amendments to expand the types of value-added agricultural processing permitted in the County into the Brewery Zoning Ordinance Amendment; or
2. The TLUC may recommend that the Board initiate a separate Zoning Ordinance Amendment to address amendments to expand the types of value-added agricultural processing permitted in the County; or
3. The TLUC may recommend that the Board pursue an alternative method to address value-added agricultural processing; or

4. The TLUC may recommend that the Board take no action regarding the proposed Zoning Ordinance Amendment regarding value-added agricultural processing at this time.

**FISCAL IMPACT:**

There is no fiscal impact associated with the proposed amendments to the Zoning Ordinance and staff believes the amendments can be processed with current staffing if combined with the Brewery Zoning Ordinance Amendment currently included in the Board's Strategic Plan.

**DRAFT MOTIONS:**

1. I move the Transportation and Land Use Committee recommend that the Board of Supervisors direct staff: (1) to amend the definition of Agricultural Processing in the Revised 1993 Loudoun County Zoning Ordinance, to include the manufacture of products derived from agricultural products produced on site; (2) to consider amending the districts in which Agricultural processing should be permitted by right; (3) to review and amend the performance standards for Agricultural processing; and (4) to incorporate such amendment in conjunction with the Brewery Zoning Ordinance Amendment scheduled to begin upon the conclusion of the Bed and Breakfast Zoning Ordinance Amendments.

OR

3. I move that the Transportation and Land Use Committee recommend that the Board of Supervisors take no action regarding the proposed Zoning Ordinance Amendment regarding value-added agricultural processing at this time.

OR

4. I move an alternate motion.

**ATTACHMENT:**

1. Item #19 Adding Definition of Value-Added Agricultural Processing to Zoning Districts Action Item, Board of Supervisors Business Meeting, February 6, 2013

# #19

**BOARD OF SUPERVISORS  
ACTION ITEM  
BOARD MEMBER INITIATIVE**

**SUBJECT: Adding Definition of Value-Added Agricultural Processing to Zoning Districts**

**ELECTION DISTRICT: Countywide**

**CRITICAL ACTION DATE: February 6, 2013**

**STAFF CONTACT: Juanita Tool, Staff Aide to Supervisor Clarke**

**RECOMMENDATIONS: Supervisors Clarke and Higgins recommend Board approval of this item forwarding this topic to the Transportation and Land Use Committee.**

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Supervisors Clarke and Higgins are putting forth an item to request that current definition of agricultural processing be changed to reflect the true nature of agricultural processing and to add agricultural processing as a permitted use in all AR, TR, and JLMA zoning districts.

**BACKGROUND:**

As stated in the General Plan, the Rural Policy Area land use pattern and design strategy is fundamentally committed to retaining the rural area as an essential asset of Loudoun County and further states on Page 3 of Chapter 7 - Rural Policy Area:

*There must be a viable rural economy to preserve the rural landscape. The rural economy is much more than traditional farming, now in decline. It includes innovative agriculture, horticulture, forestry, commercial and non-commercial equine industry, other forms of animal husbandry, tourism, rural based public and commercial recreation, ancillary rural business and compatible rural institutional uses. All of these sectors are growing and collectively contribute significantly to Loudoun's economy and provide several thousand jobs. The County's suburban citizens benefit from the proximity of rural based activities and services and the rural enterprises benefit from the suburban markets for goods and services.*

An essential part to the growth of the rural economy is the concept of "value-added": increasing value by changing commodity's physical state. A farmer can increase their revenues by growing fruit but can create additional revenue by turning some of that fruit into a pie. Another example is a farmer making cheese from milk. Agricultural processing is the term that is used to define the process in which value is added to agricultural products.

The current definition for agricultural processing is inaccurate and unclear, and unnecessarily limiting to farmers (Article 8, Page 8-2).

*Agricultural processing: Processing operations for agricultural products including meat*

*preparation; feed mills; dairy processing; timber processing; and fruit and vegetable packing, sorting and grading, as an accessory use to an agriculture, horticulture or animal husbandry use.*

The current definition of agricultural processing stated above combines the definitions of processing and post-harvest handling. For example, vegetable sorting and grading is standard handling of a horticulture crop and should be inherent in the definition of agriculture/horticulture rather than as an accessory use to agriculture/horticulture.

The definition should be rewritten in order to clarify the farmer's ability to do value-added processing in conjunction with agricultural/horticultural production. For instance, in Frederick County Maryland, the definition for value added processing currently is:

*Treatment that changes the form of a product grown on a farm in order to increase its market value with a minimum of 51% of the processed product being produced on the farm. For purposes of this use, the term "Farm" includes contiguous and noncontiguous parcels within the county in active agricultural production which are owned or leased by the processor.*

The description above does not set limitations on the definition of farm products and ensures that at least 51% of the items processed are being grown on the farm. This ensures that the Rural Policy Area's land base continues to support a wide array of agricultural enterprises, as well as the majority of the County's local tourist attractions. This kind of broad-based rural economy has been a net-revenue generator for the County because tax revenues generally exceed expenditures for rural populations. As stated in the revised General Plan, "The County recognizes its fiscal responsibility to protect the land resource for the rural economy..." Tying agricultural/horticultural production to value-added processing provides farmers with additional opportunities to generate revenue and thereby assists in protecting the land for agricultural use which is in keeping with the goals of the General Plan.

**ISSUES:** None

**FISCAL IMPACT:** Staff has noted that the Board's adopted Work Program for Zoning would not accommodate another ZOAM until near the end of the Board's term. Further discussion of developing a work program and fitting this effort within the existing resources would be necessary.

**DRAFT MOTION(S):** I move that the issue of creating an updated definition for Agricultural Processing and adding Agricultural Processing as a permitted use in all AR, TR, and JLMA zoning districts be forwarded to the Transportation and Land Use Committee for further discussion and consideration as part of the Board's Strategic Work Program.

**Or**

I move an alternative motion.