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 PLANNING DEPARTMENT
 

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GOVERNMENTAL CENTER

Alvin D. James  
Planning Director


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 COUNTY OF SANTA CRUZ
 

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September 25, 1998

Agenda: October 6, 1998

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, C.4 95060

# RE: INTERIM ZONING ORDINANCE TO CREATE THE FARMLAND SECURITY COMBINING DISTRICT

Members of the Board:

On August 23, 1998, Governor Wilson signed into law Senate Bill 1182 by Jim Costa (Fresno) (see Attachment 3). This new law amends the California Land Conservation Act of 1965 allowing landowners to convert existing Williamson Act contracts to Farmland Security contracts. The intent of the law is to provide greater protection for California's agricultural lands by creating incentives for landowners to maintain their land in agricultural use and by eliminating certain threats to the continued use of agricultural land.

The specific provisions of the law are as follows:



- allows a landowner enrolled in a 10-year Williamson Act contract with the Board of Supervisors to rescind their contracts and simultaneously enroll in a 20-year Farmland Security Zone contract
- requires that land enrolled in a Farmland Security contract be assessed for property tax purposes at 65 percent of its "use valuation", which is the current Williamson Act rate
- requires that new special taxes for urban-related services be levied at an unspecified reduced rate on land enrolled in a Farmland Security contract, unless the tax directly benefits the land or the living improvements
- prohibits the annexation of land within a Farmland Security contract, under certain circumstances, to a city or special district that provides non-agricultural services, or for use as a public school site
- exempts the conversion of a Williamson Act contract to a Farmland Security contract from review under the California Environmental Quality Act (CEQA)

The law has been adopted as urgency legislation and went into effect upon signing by the Governor. The County has received at least one request to date regarding the potential to convert from a Williamson Act contract to a Farmland Security contract. In order for landowners to take advantage of this new legislation in 1999, they must be in a Farmland Security Zone and have an approved Farmland Security contract prior to January 1, 1999. Three things must occur for this to happen:

The first is that landowners with existing Williamson Act contracts must be notified that the Farmland Security contract option exists. To get the word out, staff recommends that an informational letter be mailed to those property owners outlining the Farmland Security contract program and the process to convert from the Williamson Act contract. The Santa Cruz Farm Bureau will also be notified.

The second action that must be taken is that the County must create a zone district to recognize and designate those properties subject to the Farmland Security contract. County Counsel and staff have prepared revisions to the Agricultural Preserve "P" Combining District ordinance to include Farmland Security contracts under the existing "P" Combining District (Attachment 2). The "P" Combining District is a zoning designation added to properties primarily as a means to easily identify those properties with agricultural preserve contracts. This rather simple change to the "P" Combining District will save significant staff and property owner time and money because none of the land subject to Farmland Security contracts will have to be rezoned. As your Board know-s, the rezoning process requires public hearings before the Planning Commission and your Board. Approval of the conversion of a Williamson Act contract to a Farmland Security contract requires only a public hearing before your Board.

As your Board knows, amending the zoning ordinance, no matter how small an amendment, normally takes 6 to 9 months. If the County wishes to accommodate those property owners seeking to convert their contracts before 1999, the County must amend the "P" Combining District through adoption of an Interim Zoning Ordinance. County Counsel and staff have prepared an Interim Zoning Ordinance for consideration by your Board (See Attachment 1). If adopted, this Interim Zoning Ordinance would be in effect for 45 days, unless extended by your Board following a noticed public hearing. An extension of the Interim Zoning Ordinance beyond the initial 45 days w-ill be necessary to complete the processing of the Farmland Security contracts. During this time, staff will also be preparing the formal ordinance amendments for review by the Agricultural Policy Advisory Commission, the Environmental Coordinator, the Planning Commission, your Board and the California Coastal Commission.

The third action necessary to implement the State law for the 1999 tax year is to develop the process for reviewing the requests for conversion from an existing Williamson Act contract to a Farmland Security contract. Given the very tight time line, staff proposes that the following process and schedule be instituted:

- October 6 - Board approval of the Interim Zoning Regulations
- October 7 to November 1 - Planning staff and County Counsel develop Farmland Security contract forms and public hearing notice templates

- October 13 - Information mailed out to all existing Williamson Act contract holders; includes a description of the program, the requirements for conversion requests, the required processing fee, a cutoff date of November 2, 1998, for conversion requests, and the name and phone number of the contact person in the Planning Department.
- October 14 to November 2 (5 p.m.)- applications accepted for conversions
- November 3 to December 1 - Prepare contracts for public hearing
- November 10 - Public hearing to extend the Interim Zoning Regulations for an additional 10 months 15 days; processing of the formal amendments commences
- November 24 - Public hearing setting letter on Board agenda, public noticing occurs
- December 8 - Board public hearing
- December 9 to December 31 - contracts finalized and recorded

The schedule and process presented above presents an ambitious but not impossible project to implement the new Farmland Security law. Whether this project will add a significant amount of work to the Department's current workload is dependent upon the number of property owners wishing to convert their contracts.

Those property owners unable to meet the cutoff date may, of course, apply for the conversion at any time during 1999 (up to November 1, 1999) for the 2000 tax year.

### Recommendation

The new law enhances the provisions of the California Land Conservation Act of 1965 by providing incentives for owners of agricultural land to preserve their land in agricultural uses. In exchange, the length of the contract is extended to 20-years and the land is protected from unwanted annexations and development as school sites. This law is consistent with the purposes, objectives and policies of the County General Plan and Local Coastal Program.

It is, therefore, RECOMMENDED that your Board:

1. Adopt the Interim Zoning Regulations Regarding Farmland Security Zones (Attachment 1 ), and
2. Direct Planning staff to mail an informational letter to all existing landowners with Williamson Act contracts with the County which outlines the Farmland Security contract program and the process for converting from a Williamson Act contract, and which sets a November 2, 1998 (5 p.m.), cutoff date for 1998 applications for conversion from the

Williamson Act contract to the Farmland Security contract, and

3. Direct the Clerk of the Board to schedule a public hearing on the morning agenda of Tuesday, November 10, 199X. to consider adoption of an extension of the Interim Zoning Ordinance, and

4. Direct County Counsel and Planning staff to implement the process and schedule discussed herein to enable the rapid processing of applications for conversion from Williamson Act contracts to Farmland Security contracts for those landowners who submit applications by the cutoff date for adoption prior to January 1, 1999.

Sincerely,



Alvin D. James  
Planning Director

RECOMMENDED \_\_\_\_\_

Susan A. Mauriello  
County Administrative Officer

Attachments: 1. Interim Zoning Regulations Regarding Farmland Security Zones  
2. Proposed Ordinance Language(Highlighted)  
3. SB 1182 - Chaptered  
4. Miscellaneous legislative material  
5. Letter of Donald E. Cooley, dated September 11, 1998

cc: County Counsel  
Agricultural Policy Advisory Commission  
Santa Cruz Farm Bureau  
Tax Assessor  
CAO  
LAFCO  
Agricultural Commissioner

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE COUNTY OF SANTA CRUZ  
ESTABLISHING INTERIM ZONING REGULATIONS REGARDING  
FARMLAND SECURITY ZONES

WHEREAS, California Government Code Section 65858 enables local legislative bodies to utilize interim zoning regulations pending the study, development, and consideration of permanent zoning regulations;

WHEREAS, on August 24, 1998, the Governor of the State of California signed into law an urgency statute which authorizes the establishment of Farmland Security Zones and Farmland security contracts as a means to further protect agricultural lands in California;

WHEREAS, the new law provides for Farmland Security contracts with annual renewable terms of 20-years, further reduces property taxes on these agricultural lands, provides certain protections from annexation and prevents acquisition of the land by school districts;

WHEREAS, the new law would enable property owners enrolled in Williamson Act contracts with local governments to apply for replacement of those contracts with Farmland Security contracts;

WHEREAS, Section 5.13 of the County General Plan/Local Coastal Program Land Use Plan states, in part, as County objectives: "to prevent conversion of commercial agricultural land to non-agricultural uses", and "to recognize that agriculture is a priority land use and to resolve policy conflicts in favor of preserving and promoting agriculture on designated commercial agricultural lands";

WHEREAS, the County General Plan/Local Coastal Program Land Use Plan also includes Programs that encourage the use of Williamson Act contracts, conservation easements, and other tools such as special tax policies and incentives to maintain land in agricultural use; and

WHEREAS, the Board of Supervisors must enact the zoning provisions necessary to implement the Farmland Security Zone immediately in order for conversions from the Williamson Contracts to the Farmland Security contracts to be in effect before January 1, 1999.

NOW, THEREFORE, the Board of Supervisors of the County of Santa Cruz ordains as follows:

SECTION I

The Santa Cruz County Code Section 13.10.470 through 13.10.473 are hereby amended to read as follows:

13.10.470 "P" AGRICULTURAL PRESERVE AND FARMLAND SECURITY  
COMBINING DISTRICT

13.10.471 PURPOSES OF THE AGRICULTURAL PRESERVE AND FARMLAND SECURITY  
“I” COMBINING DISTRICT

The Agricultural Preserve Combining District is established to denote those lands which are restricted to agricultural, open space and compatible uses by contractual agreement in accordance with the provisions of Article 3 (commencing with Government Code Section 51240) or Article 7 (commencing with Government Code Section 5 1296) of the California Land Conservation Act of 1965 and amendments thereto.

13.10.472 DESIGNATION OF THE AGRICULTURAL PRESERVE AND FARMLAND  
SECURITY “P” COMBINING DISTRICT

Those parcels which are restricted by contractual agreement in accordance with the provisions of Article 3 (commencing with Government Code Section 5 1240) or Article 7 (commencing with Government Code Section 5 1296) of the California Land Conservation Act of 1965, shall be designated with a “P” Combining District. The designation shall remain on the property until the contract expires or is canceled.

13.10.473 USE AND DEVELOPMENT STANDARDS TN THE AGRICULTURAL  
PRESERVE AND FARMLAND SECURITY “P” COMBINING DISTRICT

Lands designated as “P” Combining District shall also be classified in the “CA” District (except for those lands designated “AP”) and shall be subject to the regulations of that district, with the modification or expansion of uses existing on the date of the execution of the contractual agreement which are not otherwise permitted in the “CA” district (see Section 13.10.3 12) shall be considered as discretionary uses which may be permitted upon the property within the limits of the reservation of such uses in the contractual agreement, subject to the securing of a Level V Approval.

SECTION II

If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid by the decision of a court of competent jurisdiction, such decision shall not effect the remaining portions of this Ordinance. The Board of Supervisors of this County hereby declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of any such decision.

SECTION III

The Board of Supervisors hereby finds, determines, and declares that this ordinance is adopted consistent with Government Code Section 65858 and is necessary for the protection of the public health, safety, and general welfare. The facts constituting the need for such a measure are set forth in the preamble to this ordinance.

In accordance with Government Code Section 65858, this ordinance shall be in force and effect for 45 days from its adoption unless, after formal public hearing, the Board of Supervisors, by four-fifths vote, extends the interim ordinance in accordance with Government Code Section 65858.

PASSED AND ADOPTED this      day of \_\_\_\_\_, 1998, by the Board of Supervisors  
at the County of Santa Cruz by the following vote:

AYES:            SUPERVISORS:  
NOES:           SUPERVISORS:  
ABSENT:        SUPERVISORS:  
ABSTAIN:       SUPERVISORS:

\_\_\_\_\_  
Chair of the Board of Supervisors

Attest: \_\_\_\_\_  
Clerk of the Board

APPROVED AS TO FORM:   
County Counsel

DISTRIBUTION:      County Counsel  
                         County Administrative Officer  
                         Planning Department  
                         Santa Cruz Farm Bureau  
                         Agricultural Policy Advisory Commission  
                         Tax Assessor  
                         LAFCO

**Proposed Ordinance Language - Highlighted**

**Bold** = new language

**13.10.470 "P" AGRICULTURAL PRESERVE AND FARMLAND SECURITY  
COMBINING DISTRICTS**

**13.10.471 PURPOSES OF THE AGRICULTURAL PRESERVE AND FARMLAND  
SECURITY "P" COMBINING DISTRICT**

The Agricultural Preserve Combining District is established to denote those lands which are restricted to agricultural, open space and compatible uses by contractual agreement in accordance with the provisions of **Article 3 (commencing with Government Code Section 51240) or Article 7 (commencing with Government Code Section 51296)** of the California Land Conservation Act of 1965 and amendments thereto.

**13.10.472 DESIGNATION OF THE AGRICULTURAL PRESERVE AND FARMLAND  
SECURITY "P" COMBINING DISTRICT**

Those parcels which are restricted by contractual agreement in accordance with the provisions of **Article 3 (commencing with Government Code Section 51240) or Article 7 (commencing with Government Code Section 51296)** of the California Land Conservation Act of 1965, shall be designated with a "P" Combining District. The designation shall remain on the property until the contract expires or is canceled.

**13.10.473 USE AND DEVELOPMENT STANDARDS IN THE AGRICULTURAL  
PRESERVE AND FARMLAND SECURITY "P" COMBINING DISTRICT**

Lands designated as "P" Combining District shall also be classified in the "CA" District (except for those lands designated "AP") and shall be subject to the regulations of that district, with the modification or expansion of uses existing on the date of the execution of the contractual agreement which are not otherwise permitted in the "CA" district (see Section 13.10.3 12) shall be considered as discretionary uses which may be permitted upon the property within the limits of the reservation of such uses in the contractual agreement, subject to the securing of a Level V Approval.



BILL NUMBER: SB 1182 CHAPTERED  
BILL TEXT

CHAPTER 353  
FILED WITH SECRETARY OF STATE AUGUST 24, 1998  
APPROVED BY GOVERNOR AUGUST 24, 1998  
PASSED THE SENATE AUGUST 6, 1998 .  
PASSED THE ASSEMBLY JULY 16, 1998  
AMENDED IN ASSEMBLY JULY 8, 1998  
AMENDED IN ASSEMBLY JUNE 25, 1998  
AMENDED IN ASSEMBLY JUNE 11, 1998  
AMENDED IN ASSEMBLY MAY 7, 1998  
AMENDED IN ASSEMBLY MARCH 26, 1998  
AMENDED IN SENATE MAY 5, 1997  
AMENDED IN SENATE APRIL 28, 1997  
AMENDED IN SENATE APRIL 15, 1997

INTRODUCED BY Senator Costa

FEBRUARY 28, 1997

An act to amend Sections 16140, 16141, 16142, and 16146 of, to add Sections 56375.4 and 56375.45 to, and to add Article 7 (commencing with Section 51296) to Chapter 7 of Part 7 of Division 1 of Title 5 of, the Government Code, to amend Section 426 of, and to add Section 423.4 to, the Revenue and Taxation Code, relating to agricultural land, and declaring the urgency thereof, to take effect immediately.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1182, Costa. Agricultural land: preservation programs: farmland security zones.

Existing law, known as the California Land Conservation Act of 1965, or the Williamson Act, authorizes a city or county, by contract, to limit the uses of land to agricultural uses or as an agricultural preserve in exchange for reduced property taxes. Under existing law, the initial term of one of these contracts shall be no less than 10 years.

This bill would make technical changes in provisions of law relating to subventions of state funds to replace reduced property taxes. The bill would authorize 2 or more landowners to petition a county board of supervisors to rescind a contract or contracts entered into pursuant to the act in order to place the land under a new contract designating the property as a farmland security zone, and would specify the type of land to which this designation would apply. The bill would provide that the initial term of a farmland security zone contract shall be no less than 20 years, and that each contract shall provide for yearly automatic extensions unless a notice of nonrenewal is given. The bill would provide that land within a farmland security zone shall be eligible for specified tax and other benefits, including exemption from any benefit assessment that does not directly benefit the land, exemption from annexation, as specified, exemption from potential location of public school facilities, and other exemptions. The bill also would make various conforming changes.

The bill would declare that it is to take effect immediately as an urgency statute.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

## SB 1182 Senate Bill - CHAPTERED

SECTION 1. Section 16140 of the Government Code is amended to read:

16140. There is hereby continuously appropriated to the Controller from the General Fund a sum sufficient to make the payments required by this chapter.

The payments provided by this chapter shall be made only when the value of each parcel of open-space land assessed under Sections 423, 423.3, 423.4, and 423.5 of the Revenue and Taxation Code is less than the value that would have resulted if the valuation of the property was made pursuant to Section 110.1 of the Revenue and Taxation Code, as though the property were not subject to an enforceable restriction in the base year.

SEC. 2. Section 16141 of the Government Code is amended to read:

16141. It is the purpose of this chapter to provide replacement revenues to local government by reason of the reduction of the property tax on open-space lands assessed under Sections 423, 423.3, 423.4, and 423.5 of the Revenue and Taxation Code. Notwithstanding any other provisions of this chapter, no subvention payments to a county, city, city and county, or school district shall be made pursuant to this chapter for land enforceably restricted pursuant to the Open-Space Easement Act of 1974 (Chapter 6.6 (commencing with Section 51070) of Part 1 of Division 1 of Title 5).

SEC. 3. Section 16142 of the Government Code is amended to read:

16142. The Secretary of the Resources Agency shall direct the Controller to pay annually out of the funds appropriated by Section 16140, to each eligible county, city, or city and county, the following amounts for each acre of land within its regulatory jurisdiction that is assessed pursuant to Section 423, 423.3, 423.4, or 423.5 of the Revenue and Taxation Code:

(a) Five dollars (\$5) for prime agricultural land, as defined in Section 51201.

(b) One dollar (\$1) for all land, other than prime agricultural land, which is devoted to open-space uses of statewide significance, as defined in Section 16143.

The amount per acre in subdivision (a) may be increased by the Secretary of the Resources Agency to a figure which would offset any savings due to a more restrictive determination by the secretary as to what land is devoted to open-space use of statewide significance.

SEC. 4. Section 16146 of the Government Code is amended to read:

16146. The Secretary of the Resources Agency may determine, after notice and hearing, that a local government is ineligible to receive state payments pursuant to this article by reason of its failure to comply with the provision of Article 10.5 (commencing with Section 65560) of Chapter 3 of Title 7, or with the provisions of any program which establishes an enforceable restriction upon which the assessment of land within its jurisdiction pursuant to Section 423, 423.3, 423.4, or 423.5 of the Revenue and Taxation Code is based. The fact that a local government has not complied with the requirements of Article 10.5 (commencing with Section 65560) of Chapter 3 of Title 7 by the dates set forth in that article shall not be reason to determine that the local government is ineligible to receive state payments, if the local government has complied by July 1 of the year in which application is made. This section shall not be construed to require the disqualification of any land from assessment pursuant to Section 423, 423.3, 423.4, or 423.5 of the Revenue and Taxation Code as a consequence of any determination of ineligibility by the secretary.

SEC. 5. Article 7 (commencing with Section 51296) is added to Chapter 7 of Part 7 of Division 1 of Title 5 of the Government Code, to read:

Article 7. Farmland Security Zones

## SB 1182 Senate Bill - CHAPTERED

51296. (a) The Legislature finds and declares that it is desirable to expand options available to landowners for the preservation of agricultural land. It is therefore the intent of the Legislature in enacting this article to encourage the creation of longer term voluntary enforceable restrictions within agricultural preserves.

(b) A landowner or group of landowners may petition the board to rescind a contract or contracts entered into pursuant to this chapter in order to simultaneously place the land subject to that contract or those contracts under a new contract designating the property as a farmland security zone.

(1) Before approving the rescission of a contract or contracts entered into pursuant to this chapter in order to simultaneously place the land under a new farmland security zone contract, the board shall create a farmland security zone, pursuant to the requirements of Section 51230, within an existing agricultural preserve.

(2) No land shall be included in a farmland security zone unless expressly requested by the landowner. Any land located within a city's sphere of influence shall not be included within a farmland security zone, unless the creation of the farmland security zone within the sphere of influence has been expressly approved by resolution by the city with jurisdiction within the sphere.

(3) If more than one landowner requests the creation of a farmland security zone and the parcels are contiguous, the county shall place those parcels in the same farmland security zone.

(4) A contract entered into pursuant to this section shall be for an initial term of no less than 20 years. Each contract shall provide that on the anniversary date of the contract or on another annual date as specified by the contract, a year shall be added automatically to the initial term unless a notice of nonrenewal is given pursuant to Section 51245.

(5) Upon termination of a farmland security zone contract, the farmland security zone designation for that parcel shall simultaneously be terminated.

(c) Both of the following shall apply to land within a designated farmland security zone:

(1) The land shall be eligible for property tax valuation pursuant to Section 423.4 of the Revenue and Taxation Code.

(2) Notwithstanding any other provision of law, any special tax approved by the voters for urban-related services on or after January 1, 1999, on the land or any living improvement shall be levied at a reduced rate unless the tax directly benefits the land or the living improvements.

(d) Notwithstanding any provision of the Cortese-Knox Local Government Reorganization Act of 1985 (Division 3 (commencing with Section 56000)), a local agency formation commission shall not approve a change of organization or reorganization that would result in the annexation of land within a designated farmland security zone to a city. However, this subdivision shall not apply under any of the following circumstances:

(1) If the farmland security zone is located within a designated, delineated area that has been approved by the voters as a limit for existing and future urban facilities, utilities, and services.

(2) If annexation of a parcel or a portion of a parcel is necessary for the location of a public improvement, as defined in Section 51290.5, except as provided in subdivision (f) or (g) of this section.

(3) If the landowner consents to the annexation.

(e) Notwithstanding any provision of the Cortese-Knox Local Government Reorganization Act of 1985 (Division 3 (commencing with Section 56000)), a local agency formation commission shall not approve a change of organization or reorganization that would result in the annexation of land within a designated farmland security zone to a special district that provides sewers, nonagricultural water, or

streets and roads, unless the facilities or services provided by the special district benefit land uses that are allowed under the contract and the landowner consents to the change of organization or reorganization.

(f) Notwithstanding Article 5 (commencing with Section 53090) of Chapter 1 of Division 2 of Title 5, a school district shall not render inapplicable a county zoning ordinance to the use of land by the school district if the land is within a designated farmland security zone.

(g) Notwithstanding any provision of law, a school district shall not acquire any land that is within a designated farmland security zone.

(h) The board shall not approve any use of land within a designated farmland security zone based on the compatible use provisions contained in subdivision (c) of Section 51238.1.

(i) This section shall only apply to land that is designated on the Important Farmland Series maps, prepared pursuant to Section 65570 as predominantly one or more of the following:

- (1) Prime farmland.
- (2) Farmland of statewide significance.
- (3) Unique farmland.
- (4) Farmland of local importance.

If the proposed farmland security zone is in an area that is not designated on the Important Farmland Series maps, the land shall qualify if it is predominantly prime agricultural land, as defined in subdivision (c) of Section 51201.

(j) Nonrenewal of a farmland security zone contract shall be pursuant to Article 3 (commencing with Section 51240), except as otherwise provided in this article.

(k) All of the provisions of Article 6 (commencing with Section 51290) shall apply to farmland security zones created pursuant to this article except as specifically provided in this article.

(l) No state agency, as defined in Section 65934, or local agency, as defined in Section 65930, shall require any land to be placed under a farmland security zone contract as a condition of the issuance of any entitlement to use or the approval of a legislative or adjudicative act involving, but not limited to, the planning, use, or development of real property, or a change of organization or reorganization, as defined in Section 56021 or 56073. No contract shall be executed as a condition of an entitlement to use issued by an agency of the United States government.

(m) Subdivisions (d) and (e) shall not apply during the three-year period preceding the termination of a farmland security zone contract.

SEC. 6. Section 56375.4 is added to the Government Code, to read:

56375.4. (a) The commission shall not approve or conditionally approve a change of organization or reorganization that would result in the annexation to a city of territory that is within a farmland security zone created pursuant to Article 7 (commencing with Section 51296) of Chapter 7 of Division 1. However, this subdivision shall not apply under any of the following circumstances:

(1) If the farmland security zone is located within a designated, delineated area that has been approved by the voters as a limit for existing and future urban facilities, utilities, and services.

(2) If annexation of a parcel or a portion of a parcel is necessary for the location of a public improvement, as defined in Section 51290.5, except as provided in subdivision (f) or (g) of Section 51296.

(3) If the landowner consents to the annexation.

(b) The commission shall not approve or conditionally approve a change of organization or reorganization that would result in the annexation to a special district of territory that is within a farmland security zone created pursuant to Article 7 (commencing with

Section 51296) of Chapter 7 of Division 1 if that special district provides or would provide facilities or services related to sewers, nonagricultural water, or streets and roads, unless the facilities or services benefit land uses that are allowed under the farmland security zone contract and the landowner consents to the change of organization or reorganization.

(c) This section shall not apply during the three-year period preceding the termination of a farmland security zone contract under Article 7 (commencing with Section 51296) of Chapter 7 of Division 1.

SEC. 7. Section 56375.45 is added to the Government Code, to read:

56375.45. Notwithstanding Sections 56300 and 56301, the commission shall not disapprove a change of organization or reorganization where the reason for disapproval is that the farmland security zone is excluded from the affected territory.

SEC. 8. Section 423.4 is added to the Revenue and Taxation Code, to read:

423.4. Land subject to a farmland security zone contract specified in Section 51296 of the Government Code shall be valued for assessment purposes at 65 percent of the value under Section 423 or 65 percent of the value under Section 110.1, whichever is lower.

SEC. 9. Section 426 of the Revenue and Taxation Code is amended to read:

426. Notwithstanding any provision of Section 423 to the contrary, if either the county, city, or nonprofit organization or the owner of land subject to contract, agreement, scenic restriction, or open-space easement has served notice of nonrenewal as provided in Section 51091, 51245, or 51296 of the Government Code, and the county assessors shall, unless the parties shall have subsequently rescinded the contract pursuant to Section 51254 or 51255 of the Government Code, value the land as provided in this section.

(a) If the owner of land serves notice of nonrenewal or the county, city, or nonprofit organization serves notice of nonrenewal and the owner fails to protest as provided in Section 51091, 51245, or 51296 of the Government Code, subdivision (b) shall apply immediately. If the county, city, or nonprofit organization serves notice of nonrenewal and the owner does protest as provided in Section 51091, 51245, or 51296 of the Government Code, subdivision (b) shall apply when less than six years remain until the termination of the period for which the land is enforceably restricted.

(b) Where any of the conditions in subdivision (a) apply, the board or assessor in each year until the termination of the period for which the land is enforceably restricted shall **do** all of the following:

(1) Determine the value of the land pursuant to Section 110.1 of the Revenue and Taxation Code. If the land is not subject to Section 110.1 of the Revenue and Taxation Code when the restriction expires, the value shall be determined pursuant to Section 110 of the Revenue and Taxation Code as if it were free of contractual restriction. If the land will be subject to a use for which the Revenue and Taxation Code provides a special restricted assessment, the value shall be determined as if it were subject to the new restriction.

(2) Determine the value of the land by capitalization of income as provided in Section 423 and without regard to the existence of any of the conditions in subdivision (a).

(3) Subtract the value determined in paragraph (2) of subdivision (b) by capitalization of income from the full value determined in paragraph (1) of subdivision (b).

(4) Using the rate announced by the board pursuant to paragraph (1) of subdivision (b) of Section 423, discount the amount obtained in paragraph (3) of subdivision (b) for the number of years remaining until the termination of the contract, agreement, scenic restriction, or open-space easement. .

(5) Determine the value of the land by adding the value determined by capitalization of income as provided in paragraph (2) of subdivision (b) and the value obtained in paragraph (4) of subdivision (b).

(6) Apply the ratio prescribed in Section 401 to the value of the land determined in paragraph (5) of subdivision (b) to obtain its assessed value.

SEC. 10. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide the benefits of this act to private property owners at the earliest possible time and enhance the preservation of agricultural land, it is necessary that this act take effect immediately.

SB 1182  
Page 1

SENATE THIRD READING  
SB 1182 (Costa)  
As Amended July 8, 1998  
2/3 vote

SENATE VOTE : 37-o

AGRICULTURE 9-o NATURAL RESOURCES 12-0

Ayes: Cardoza, House,  
Battin, Ayes: Bowen, Olle, Ashburn, Cardenas,  
Bordonaro, Frusetta, Machado, Keeley, Migden, Olberg,  
Murray, Prenter, Thomson Richter, Shelley, Sweeney,  
Wayne, Woods

SUMMARY : Allows landowners to petition county boards of supervisors to create farmland security zones which enable landowners who have Williamson Act contracts to rescind their traditional 10 year contracts to enter into 20 year contracts. Specifically, this bill provides that:

- 1) Landowners with Williamson Act contracts will be empowered to petition the board of supervisors to rescind their traditional 10 year rolling contracts and simultaneously enter into a 20 year rolling contract which designates the property a 'farmland security zone.

In order to qualify for a farmland security zone contract, the land must be predominantly prime farmland as defined in Section 51201(c) of the Government Code or be included in the Important Farmland Series Maps.

- 2) Any land and living improvements included in a contract, as specified under the provisions of this bill, shall be exempt from any benefit assessment that does not directly benefit the land. Any per parcel special tax shall **be** levied at a reduced rate, if the tax is levied after the effective date of this article.
- 3) Local Agency Formation Commissions are prohibited from any annexation of land under a farmland security zone contract that would result in the annexation of such land to a city, include such land in a special district that provides sewers, non-agricultural water, or streets and roads that do not directly benefit land uses under the contract or if the landowner does not consent to the annexation.
- 4) School districts are prohibited from annexing any land in a farmland security zone.

FISCAL EFFECT : Unknown

SB 1182  
Page 2

COMMENTS : This bill creates a longer term Williamson Act contract. It enables landowners to voluntarily rescind their traditional 10 year Williamson Act contracts in order to simultaneously enter into new 20 year farmland security zone contracts. In order for these contracts to be established two or more landowners must petition the board of supervisors. No land shall be included in a farmland security zone unless the landowner expressly requests such an inclusion. The board must establish a farmland security zone within an existing agricultural preserve.

According to the author and the sponsors this bill would strengthen the Williamson Act by offering a package of tax and non-tax incentives to keep lands in a more durable conservation easement program than currently available.

In the more than 30 years since the passage and implementation of the Williamson Act, California has undergone fundamental changes. Agricultural production is much different than 30 years ago with a greater focus on permanent and high value crops. The state's population has more than doubled. Once rural and agricultural communities have become urban/rural edge communities. Local governments have lost most of their property tax revenues resulting in the fiscalization of land use to backfill the loss. Such fundamental change could obviate a need for new approaches to agricultural land preservation.

Recent Amendments add an urgency clause. Amendments also prohibit farmland security zones from being established within a city's sphere of influence, unless the city has approved such an action by resolution. The amendments also prohibit government entities from leveraging landowners into farmland security zones in exchange for entitlements.

The amendments also create a three limited circumstances under which a LAFCO may annex land within an farmland security zone.

Analysis prepared by : Dominic DiMare / aag / (916) 319-2084

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L98: 137

## GOVERNOR'S OFFICE

WILSON SIGNS LEGISLATION FURTHER PROTECTING CALIFORNIA FARM LAND  
*Farmland Conservation Zones Will Preserve More of California's Prime Agricultural Land*

FOR IMMEDIATE RELEASE  
Monday, August 24, 1998

CONTACT: Sean Walsh  
Ron Low  
(916) 445-4571

SACRAMENTO – Furthering his commitment to the preservation of California's fertile agricultural land, Governor Pete **Wilson** has signed legislation allowing landowners to protect their land for 20 years.

The Governor signed SB 1182 by Senator Jim Costa (**D-Fresno**) to allow agricultural landowners to convert existing Williamson Act land to Farmland Security Zone (**FSZ**) contracts of 20 years. Landowners who enter into **FSZ's** will **have** their property assessed at 65 percent.

"California's agriculture industry **is the standard bearer** for the nation," Wilson said. "We are the number one **agricultural** state in the Union. But if we are to continue, we must take the proper and necessary steps to protect this vital asset."

"The Farmland Security Zone will allow us to keep more farmland for just that purpose. If we are going to continue to 'feed the world,' we must have the land to grow our bounty of agricultural products."

SB 1182 allows landowners participating in the Williamson Act to extend their preservation for an additional 10 years by signing a FSZ contract. This will allow more of the state's prime agricultural land to be conserved as the population of California increases.

Last year, California's agricultural production and income soared to an all-time high of \$26.8 billion, a \$1.5 billion increase from the year before.

The Williamson Act allows local governments to establish 10-year contracts with landowners for preserves to protect land for agricultural purposes or open space. Landowners receive property tax relief by entering into a contract. The Williamson Act is designed to provide relief from economic pressure to sell or convert lands to urban uses when speculative development potential results in an increase to the owner's property taxes. Approximately 16 million acres in California are protected under the Williamson Act.

**NEWS**

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<http://www.fb.com/cafb>**RELEASE IMMEDIATE****August 27, 1998****FARM BUREAU APPLAUDS SIGNING OF LAND-USE BILL**

Governor Wilson's signature on land-use legislation **will** provide an important new tool to help protect *the* state's **farmland** as California's population grows. The California Farm Bureau Federation, the state's largest farm organization, has praised the Governor for **signing** SB 1182 by Senator Jim Costa (**D-Fresno**).

Costa's legislation **allows** agricultural **landowners** to convert existing 10-year Williamson Act contracts to a new program of Farmland Security Zones, which feature 20-year contracts. Landowners receive property tax relief by entering into a contract.

"Governor Wilson has demonstrated his concern and commitment to protect one of the state's most valuable resources --- its farmland," said CFBF President Bill **Pauli**. "Without increased awareness and the strong political will of the Governor, Senator Costa and the broad support of the **Legislature**, our state's agricultural resources **were destined** to decline."

The **Williamson** Act protects about 16 million acres of cropland, including **half** of the state's prime farmland. Under **the** voluntary program, land is contractually restricted to its agricultural use for a minimum of **10** years. Landowners receive a property tax reduction **that** varies depending on the value of the commodity produced. Proposition 13, however, significantly reduced the benefit to landowners, which prompted Farm Bureau to seek a longer **term** solution with Costa's help.

"SB 1182 addresses the problem by providing an additional 35 percent reduction in property taxes in return for a 20-year conservation commitment," said **Pauli**. "The new Farmland Security Zones are needed *to* provide landowners **with** increased financial incentives to encourage longer term conservation strategies. Farmers and ranchers need an alternative to the current **10**-year Williamson Act contracts and conservation easements in perpetuity."

The bill also includes a package of non-tax benefits designed to provide farmers increased certainty they will be able to pursue their livelihood.

# # #

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	<b>Bob Krauter, home</b>	(916) <b>428-6134</b>

41/98

Check out the Farm Bureau Web site at [www.cfbf.com](http://www.cfbf.com)

# Farmland preservation bill is signed by governor

By Dale Kasler  
3cc Staff Writer

Bidding to preserve California farmland for decades to come, Gov. Pete Wilson signed into law Monday a significant expansion of the Williamson Act, the landmark 1965 law that provides tax breaks for farmers who don't sell their land to developers.

Dubbed the "Super Williamson Act," the new law provides an extra 35 percent property-tax discount and other incentives for farmland owners willing to lock up their land for 20 years — twice as long as under the old law.

The new law comes amid increased concern that vast acres of farmland are going to be paved over as California's population booms in the next century.

"This will help address the continued urbanization of farmland," said Sen. Jim Costa, D-Fresno, sponsor of the bill, SB 1182. "It's critical that we preserve and protect our prime (agricultural) lands."

The act was signed the same day the state Department of Conservation and farmland advocates marked the expansion of another preservation program, the state Agricultural Land Stewardship Program, by securing a 780-acre parcel of Yolo County farmland. The stewardship program makes substantial one-time payments to farmers who agree never to sell to developers.

The Williamson Act, by contrast, uses 10-year renewable tax breaks to keep land free from development. Some 16 million acres, or slightly more than half of California's farmland, are covered by the Williamson Act.

The new law would enable landowners to put their property into 20-year Farmland Security Zones in ex-

Please see FARMLAND, page E2

## Farmland: Cancellation not allowed

Continued from page E1  
change for a 35 percent break on property taxes. Existing Williamson Act landowners can convert their property into Farmland Security Zones and receive an additional 35 percent discount.

**Another feature:** The old law let landowners cancel their Williamson agreement as long as they paid a penalty. The new law doesn't allow cancellation, said John Gamper, director of taxation and land use for the California Farm Bureau.

The new law also prevents special districts from taxing farmland participating in the security zones, he said.

Gamper said the new law became necessary because of a growing recognition that, in light of the Proposition 13 property tax reductions, the Williamson Act's reductions weren't much of an incentive to keep land out of development.

Williamson has provided prime farmland with only "a marginal tax benefit," said Bill Geyer, a consultant who was a legislative aide to former lawmaker John Williamson, author of the original act.

## ATTACHMENT 4

The tax breaks under Williamson vary according to the value of the land, and the better, more intensively farmed land gets a small percentage discount than grazing lands. Gamper said. Now all landowners who commit to the 20-year Farmland Security Zone will get at least a 35 percent discount.

It also was becoming apparent that the 10-year time frame wasn't particularly long, given the long-range planning undertaken by most developers, Gamper said.

Separately, state conservation officials and farmland preservation advocates met on a levee southeast of Davis to celebrate the expansion of the state's Agricultural Land Stewardship Program — and the preservation of a 780-acre parcel of prime Yolo County farmland through that program.

The state and Davis teamed to make a one-time \$800,000 payment to farmer Greg Schmid, who agreed to sell his development rights to the Yolo Land Trust. The arrangement effectively locks away the land, situated less than two miles from the E. Macero development indefinitely.

"We want to make sure the agricultural economy in California continues to thrive," Conservation Director Larry Goldzband said as one of Schmid's trucks hauled tomatoes through the field nearby.

JOHN R. GAMPER

DIRECTOR  
TAXATION AND LAND USE  
GOVERNMENTAL AFFAIRS DIVISION



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## BILL ANALYSIS

Date of Hearing: June 8, 1998

## ASSEMBLY COMMITTEE ON NATURAL RESOURCES

Debra Bowen, *Chair*

SB 1182 (Costa) - As Amended: May 7, 1998

ASSEMBLY AGRICULTURE COMMITTEE VOTE : 9-O

SENATE FLOOR VOTE: 37-O

SENATE APPROPRIATIONS COMMITTEE VOTE: 11-O

SENATE HOUSING AND LAND USE COMMITTEE VOTE: 5-O

**SUMMARY:** Establishes the "farmland security zone" program, an enhanced Williamson Act-like process that offers landowners **20-year "rolling"** contracts' restricting the use of prime agricultural land in exchange for reduced property and parcel taxes, as well as additional protections **against** local government annexation.

**EXISTING LAW,** the **California** Land Conservation **Act** of 1965 (Williamson Act), allows private landowners to **enforceably** restrict the uses of their land to agriculture, open space or other compatible uses, within established agricultural preserves, in exchange for lower property tax assessments (land is assessed according to its actual use, rather than its **full** market value) by enrolling in a **10**-year "rolling contract" with **local** governments.

**THIS BILL:**

- 1) Authorizes a landowner or group of landowners **enrolled** in **10**-year **Williamson** Act contracts **with** a **County** Board of Supervisors to rescind their contracts in order to enroll in **20-year** contracts within a "farmland security zone" established by the Board.
- 2) **Requires** that land enrolled in a farmland security zone contract be assessed for property tax purposes at **65** percent of its "use valuation" which is the current **Williamson** Act rate.
- 3) **Requires** that new **special** taxes for **urban-related** services be levied at an unspecified reduced rate on land **enrolled** in a farmland **security** zone contract, unless the tax directly benefits the land or the living improvements.
- 4) Prohibits the annexation of land within a farmland security zone to a city or a special district that provides non-agricultural services, or for use as a public school site.
- 5) Exempts the conversion of a **Williamson** Act contract to a **farmland** security zone contract **from** review under the California Environmental Quality Act (CEQA).

**COMMENTS:**

Questions for the Committee to Consider:

- 1) As the utility of the Williamson Act as a land conservation tool diminishes, how can the state continue to encourage the protection of prime agricultural land from the threat of conversion to commercial and residential uses?
- 2) Is the public benefit of prolonged protection of prime agricultural land afforded by this measure commensurate with the tax reductions that it provides to landowners?
- 3) Is it appropriate to establish a CEQA exemption for the conversion of a Williamson Act contract to a farmland security zone contract? Would such a transaction be subject to CEQA review in the first place?

### Background

The Williamson Act provides an incentive to keep lands that are threatened by urban development in agricultural production or open space by allowing landowners and local governments to enter into contracts that restrict the use of the land in exchange for lower property taxes. Parcels enrolled under the Act are limited to agricultural or compatible open space uses and are assessed for property taxes according to their actual use, rather than their full market value. Local tax revenue loss is partially replaced by state subventions pursuant to the Open Space Subvention Act. Contracts are "rolling," with a minimum term of 10 years and are automatically extended in one year increments every year.

To be eligible for enrollment, the parcel must be within the boundaries of an agricultural preserve, as designated by the local jurisdiction. According to the Department of Conservation's most recent status report, "about 15.9 million acres are enrolled under Williamson Act contract in 47 counties and 15 cities. This number represents over half of California's total farmland and nearly one-third of all private land in the state."

Since the Williamson Act was enacted in 1965, a steady trend toward permanent, higher-value crops, like orchards and vineyards, and the overall stagnation of property tax rates have combined to effectively reduce the incentive to keep lands in agricultural production that the Act was intended to provide. The calculation of property taxes for land under a Williamson Act contract is related to its agricultural production. While this "use valuation" method is beneficial for lands that support low-value field crops or grazing, it doesn't provide much benefit for lands that support high-value crops. Higher crop value translates into higher property value and higher taxes. As a result, the relative tax incentive for enrolling in the Williamson Act diminishes when farmland is converted from field crops to permanent, high-value crops. Proposition 13's regressive property tax structure has further decreased the relative advantage of the Williamson Act's alternative property valuation for many landowners while also increasing the pressure for commercial development to help fund local government services.

### Keeping the Williamson Act Afloat

This bill creates an "enhanced" Williamson Act contract that increases protection of farmland from commercial or residential development by restricting its non-agricultural use for a minimum term of 20 years. In order to attract landowners to voluntarily restrict the use of their land for a longer period, the bill offers a package of incentives over and above what the Williamson Act provides. The most significant of these is a 35 percent reduction in the assessed value of contracted land upon which property taxes are based.

An additional financial incentive is the bill's requirement that new special taxes for "urban-related services" be levied at a reduced rate on land enrolled in a farmland security zone contract, unless the tax "directly benefits" the land or the living improvements. It is difficult to predict the effect of this provision for a couple of reasons.

The first is that neither "urban-related **services**" nor "directly benefits" is defined in the bill or elsewhere in statute. Examples of "urban-related" special taxes that could be subject to reduction may be those levied by school, library or hospital districts. A special tax that "directly benefits" the land may be one levied by an irrigation district. These terms are sure to spark disagreements between landowners anxious to receive a tax break and special districts anxious to collect voter-approved taxes.

The second reason is that the bill does not **specify** either a standard, minimum or maximum reduction in special taxes, it simply **requires** that they be levied at a "reduced rate." Presumably, **the** district empowered to levy the tax would determine the appropriate reduction, if any. This provision will also be subject to local debate and interpretation. The actual benefit of this incentive will vary widely depending on **these** factors and the level and type of special taxes approved in a given jurisdiction.

#### What Else Does the Public Get?

In addition to the longer contract, **this** bill limits existing avenues for contract termination through either **voluntary** cancellation or annexation of contracted lands, virtually guaranteeing that the contract **will** endure for at least 20 years.

Under the existing **Williamson** Act, the landowner may immediately terminate the contract under extraordinary circumstances when the cancellation is consistent with the Williamson Act or in the public interest. Landowners are subject to a cancellation fee equal to 12.5 percent of the full market value of the land. This bill does not provide for a **similar** cancellation of a farmland security zone contract.

A Williamson Act contract may also be **terminated** if the contracted land is acquired **through** annexation. Under limited circumstances, contracts on property located in unincorporated territory which is then annexed to an adjacent city may be terminated at **the** option of the city. This bill provides additional security for **farmland** by **generally** prohibiting the annexation of land within a designated farmland security zone to a city or special **district**, or the acquisition of such lands by a school district through eminent domain.

Like the traditional Williamson Act contract, a farmland security zone contract can be terminated **through** "non-renewal." Either the landowner or the county can "non-renew" by stopping the automatic, annual extension of the contract, causing it to terminate after 20 years.

#### Did I Mention the CEQA Exemption?

This **bill** exempts the conversion of a Williamson Act contract to a farmland security zone contract **from** review under CEQA. However, a categorical exemption for "the making and renewing of open space contracts under the Williamson **Act**" already exists in **CEQA's** regulatory guidelines. This means that the Secretary for Resources has found that, as a class, making or renewing these contracts does not have a

significant effect on the environment, As proposed in this bill, a **farmland** security zone contract is every bit as much an “open space contract under the Williamson Act” as a traditional **Williamson** Act contract.

Given that this existing categorical exemption appears to include the process that the bill **establishes**, the Committee may **wish** to consider removing the statutory exemption **from the** bill. If **any** question of **CEQA's** applicability to making or renewing farmland security zone contracts remains, it could be addressed by a minor revision of the existing CEQA guideline (CCR Title **14**, Chapter 3, Section 153 17).

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\*\*\*

Tel.831-724-8133 \* Fax.831-728-3497

Mr. Ray Belgard, Supervisor  
Santa Cruz County  
701 Ocean Street  
Santa Cruz, CA. 95060

September 11, 1998

Dear Ray,

Subject: NEW FARMLAND SECURITY **ZONE** LEGISLATION

This to apply for approval to extend my Williamson Act farmland parcels for the additional ten years under the new SB 1182 Farmland Security Zone legislation.


Attached are the specifics sent to me by Mr. Gamper, of the California Farm Bureau Federation, which I promised you. I also have the 7-page copy of the Bill.

It is urgent that approval be obtained soon. January 1, 1999 is the lien date for benefits to apply to the 1999 tax year. (The Bill went into effect immediately with the Governor's signature.)

Your county planning department will probably be the source of recommendation to the Board on this. My parcel numbers are 110-101-05, and -06 for one property and numbers 110-102-04, and 110-121-12 for the other.

Thank you for your help on this matter.

Sincerely,

  
Donald E. Cooley

cc. Tony Campos, supervisor-elect