



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

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KATHLEEN MOLLOY PREVISICH, PLANNING DIRECTOR

February 9, 2011

AGENDA: February 24, 2011

Agricultural Policy Advisory Commission
County of Santa Cruz
701 Ocean Street
Santa Cruz CA 95060

**SUBJECT: STATUS UPDATE OF THE WILLIAMSON ACT PROGRAM AND PROPOSAL
TO CONTINUE COUNTY PARTICIPATION IN THE WILLIAMSON ACT
PROGRAM.**

Members of the Commission:

BACKGROUND

The Williamson Act

The California Land Conservation Act of 1965--commonly referred to as the Williamson Act--enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or open space use. In return, landowners receive property tax assessments which are much lower than they might be otherwise because they are based on farming and open space uses as opposed to development potential or sales price. Local governments receive an annual subvention of forgone property tax revenues from the state via the Open Space Subvention Act of 1971¹, which is intended to replace a portion of the local revenue lost due to the lowered assessments.

In Santa Cruz County, a landowner may be eligible to enter into a Williamson Act Contract with the County to protect agricultural land if the land meets the following criteria:

- The parcel must be zoned CA (Commercial Agriculture) and must be designated A (Agriculture) in the County General Plan.
- The parcel must be designated as an Agricultural Resource Type in the County General Plan. The most common resource types include the following:
 - Type 1A- Viable agricultural land
 - Type 2-Limited agricultural lands
 - Type 3-Viable agricultural lands within the Coastal Zone
- The parcel must meet the following minimum parcel size requirement: Types 1 and 3 (10 acres minimum); Type 2 (40 acres minimum).

¹ Department of Conservation; Williamson Act Program. <http://www.conservation.ca.gov>

A landowner may choose to apply for a 10-year Williamson Act Contract or a 20-year Williamson Act Contract, also known as a Farmland Security Zone. With a 10-year contract, the contract renews for a period of nine years every year on the anniversary date of the contract. A Farmland Security Zone is established for 20 years and does not begin renewing annually until the contract has nine years remaining. Establishment of a 20-year Farmland Security zone results in an even greater reduction in land value assessment.

An open space contract is a land preservation alternative for landowners with significant public and/or environmental resources. An Open Space contract is an option under the Williamson Act and is similar to a Williamson Act Contract in that an agreement is established between the landowner(s) and the County which limits uses on the property and preserves resources in exchange for a reduced land value assessment. The difference between an Open Space Contract and a Williamson Act Contract is that the Williamson Act Contract preserves commercial agriculture resources while an Open Space Contract preserves open space for public benefit or for environmental protection.

The County Board of Supervisors makes the final decision regarding requests for new Williamson Act contracts with recommendations from both the Agricultural Policy Advisory Commission (for Agricultural Preservation Contracts) and the Planning Commission. Williamson Act contracts may be terminated by either the County or the landowner through the non-renewal process or by the landowner through the cancellation process. Non-renewal is generally a ten-year process, with the assessed value increasing each year until full value is achieved at the end of the process. Cancellation can be immediate, but carries significant monetary cost to the landowner.

The Open Space Subvention Act (OSSA)

The Open Space Subvention Act (OSSA) was enacted in 1972 to provide a partial replacement of funds to local jurisdictions that participate in the California Land Conservation Act, or Williamson Act. These subvention funds are distributed on an annual basis to participating counties based on the number of acres and quality of land enrolled under eligible contracts.

For the 2009-2010 fiscal year, the Budget Act of 2009 reduced the State Williamson Act subvention budget to a total of \$1000, which essentially eliminated payments to participating counties. During this time, the County Assessor's Office estimated a loss to the County of about \$22,000 in subvention funds. Many larger surrounding counties that estimated much greater losses have discussed alternative scenarios such as county initiated non-renewal of non-compliant lands, county initiated notices of immediate non-renewal, or the establishment of a moratorium on new contracts.

SENATE BILL 863

In 2010, the passage of Senate Bill 863 provided each county with two mutually exclusive options: 1) a one-time, pro-rata payment of a portion of a \$10 million subvention fund, based

on the county's share of the total acreage under contract, and 2) an option for eligible counties² to reduce existing contract terms by one year to recapture 10% of the property tax benefits provided to holders of agricultural Williamson Act contracts.

Larger agricultural counties that have lost or are at risk of losing subvention funds in the millions of dollars are more likely to take advantage of the second option; however, staff has determined that Santa Cruz County is not in the position to benefit from this program given the minimal annual loss in assessed value resulting from participation in the Williamson Act Program.

FINANCING

According to the County Assessor's Office, there are currently 315 parcels with active agricultural or open space contracts in the County that are receiving the Williamson Act restricted assessed value. Ten additional parcels are currently in the application process and pending approval of three 20-year Farmland Security Zone contracts (multiple parcels may be placed under one contract). Approximately 61 of the 315 parcels are assessed at their factored Proposition 13 base year values and 10 of the parcels are welfare exempt, meaning that the parcel(s) are owned by qualifying organizations that have income tax exempt status and that are also exempt from property taxation. The Assessor's Office estimates that the annual assessed value of the contracted properties, when calculated at the Williamson Act land value, is \$63,120,950. When assessed at the Proposition 13 land value, the factored Base Year Value of these properties is \$105,965,394. The annual loss of assessed value is the difference or \$42,844,444. Loss of tax revenue on these parcels, calculated at 1% of the assessed valuation, is \$428,444 to all jurisdictions in the County. The County General Fund share is approximately 13.5%, resulting in an annual loss of about \$57,840 to the County General Fund. The annual subvention payment received by the County from the State to offset this loss of tax revenue has averaged approximately \$22,694 per year during the years 2006-2008, which was prior to any state reduction in subvention funding. In 2009, the County did not receive subvention funding from the State. This year, the County has requested \$20,096.52.

GOVERNOR'S PROPOSED 2011-2012 STATE BUDGET

The \$10 million appropriation provided by Senate Bill 863 is proposed for elimination in the Governor's proposed 2011-2012 state budget and no additional on-going funding is proposed.

The following is taken from the Governor's Proposed Budget Summary:

"The budget eliminates the current-year appropriation for Williamson Act subventions and does not provide ongoing state funding. The program will thus be a local program. Funding provided from the redevelopment agencies tax shift could help counties continue this program on their own."³

² Counties are eligible for the alternative funding program provided in SB 863 if they received less than one half of their foregone property tax revenue from the Open Space Subvention Act the prior year.

³ California Department of Finance: 2011-2012 California Budget. <http://www.ebudget.ca.gov/BudgetSummary/BSS/BSS.html>

APPLICABLE GENERAL PLAN/LCP POLICIES

The County General Plan/Local Coastal Program is supportive of the continued protection of Open Space and Commercial Agricultural Lands, regardless of any State reimbursement:

Objective 5.11 Open Space Preservation: *To identify and preserve in open space uses those areas which are not suited to development due to the presence of natural resource values or physical development hazards.*

Objective 5.13 Commercial Agricultural Land: *To maintain for exclusive agricultural use those lands identified on the County Agricultural Resources Map as best suited to the commercial production of food, fiber, and ornamental crops and livestock and to prevent the conversion of commercial agricultural land to non-agricultural uses. To recognize that agriculture is a priority land use and to resolve policy conflicts in favor of preserving and promoting agriculture on designated commercial agriculture lands.*

SUMMARY

Although it appears that Williamson Act subvention funds may not be available in the next fiscal year, the benefits of maintaining current contracts and accepting new ones outweigh the costs to the County to continue the program, given the County's commitment to agricultural and open space preservation.

RECOMMENDATION:

It is therefore RECOMMENDED that the Agricultural Policy Advisory Commission adopt the attached resolution (Exhibit A), sending a recommendation to the Board of Supervisors to:

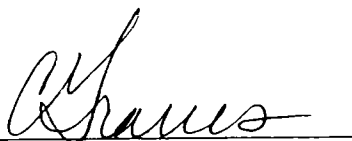
- Continue entering into new Williamson Act contracts with eligible property owners;
- Decline to participate in the program provided under Senate Bill 863, if subvention funds are no longer available.

Sincerely,



Samantha Haschert
Planner III

Reviewed By:



Cathy Graves
Principal Planner
Development Review

Attachments:

1. Resolution

cc. County Counsel, Agricultural Commissioner, Santa Cruz Farm Bureau, Coastal Commission

BEFORE THE AGRICULTURAL POLICY ADVISORY COMMISSION
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. _____

On the motion of Commissioner
duly seconded by Commissioner
the following Resolution is adopted:

AGRICULTURAL POLICY ADVISORY COMMISSION RESOLUTION
SENDING RECOMMENDATION TO THE BOARD OF SUPERVISORS
ON PROPOSED CONTINUATION IN THE WILLIAMSON ACT PROGRAM.

WHEREAS, the Agricultural Policy Advisory Commission has held a public hearing on the current status of the Williamson Act Program and the Agricultural Policy Advisory Commission has considered the attached staff report,

WHEREAS, the County General Plan/LCP encourages the continued and ongoing protection of commercial agriculture and open space lands,

WHEREAS, the Agricultural Policy Advisory Commission has determined that the elimination of state subvention funding associated with Williamson Act contracts will have a minimal fiscal impact to the County of Santa Cruz.

NOW, THEREFORE, BE IT RESOLVED, that the Agricultural Policy Advisory Commission recommends that the Board of Supervisors continue to enter into new Williamson Act contracts with eligible property owners and decline to participate in the program provided in Senate Bill 863 to recapture lost taxes.

PASSED AND ADOPTED by the Agricultural Policy Advisory Commission of the County of Santa Cruz, State of California, this 24th day of February, 2011, by the following vote:

AYES: COMMISSIONERS
NOES: COMMISSIONERS
ABSENT: COMMISSIONERS
ABSTAIN: COMMISSIONERS

Bruce Dau, Chairperson

ATTEST: _____
Ken Corbishley, Secretary

APPROVED AS TO FORM:

COUNTY COUNSEL