Williamson Act

HLUET Meeting

October 5, 2005
Topics:

• Agricultural Preserve Map
• Guideline for Commercial Agriculture
• Guideline for Compatible Use
• Non-Renewal Procedures
• Contract Monitoring and Enforcement
• Open Space Easements
Agricultural Preserve Map

• Preserves are at least 100 contiguous acres

• 10 Preserves are proposed (1 large, 9 small)

• Zoning: AR, A, HS, and some RR parcels

• No harm to owners in Preserve that are not under contract
Guideline for Commercial Agriculture

- Agricultural commodities are unprocessed products of farms, ranches and nurseries.

- Contracted land must be used primarily for commercial production of agricultural commodities.

- Horse-related uses may be compatible (but not primary use of property)
• Evaluation criteria focus on four elements:

1. Parcel Size
2. % Coverage
3. Income
4. History

• State law presumes the minimum size needed to sustain an agricultural use is 10 acres prime land / 40 acres non-prime land
• **Prime / Non-Prime Land**: based on soil capability

• **New contracts**: property must be at least 10 acres prime land / 40 acres non-prime land

• **If parcel is minimum size or larger:**
  
  – At least 75% of land used for commercial agriculture in 3 of last 5 years
  – Must substantiate farm revenue with tax documents
  – No minimum annual gross income
• If parcel is less than minimum size:
  
  – at least 90% of land used for commercial agriculture, and
  – if prime land, property generated at least $3,500 in 3 of last 5 years, or
  – if non-prime land, property generated at least $2,000 in 3 of last 5 years
  – Must substantiate farm revenue with tax documents

• For livestock operations, land available for grazing (i.e. fenced) is considered to be in agricultural production
Guideline for Compatible Use

- Land proposed for development must be primarily in commercial agriculture

- Development must be both “compatible” and “incidental” to the agricultural use of the property

- Commercial agriculture must continue to be the primary use of the property
• Compatible uses are limited to 10% of the parcel, not to exceed 5 acres

• Development must avoid the most valuable agricultural features of the land

• Compatible uses must comply with siting criteria (minimal grading, clustering, etc.)
Non-Renewal Procedures for Substandard Parcels

- State law presumes minimum size needed to sustain agricultural use is 10 acres prime land / 40 acres non-prime land
- Notices of non-renewal will be issued for under-sized parcels in 2006; take effect 2007
- Owner has 60 days to protest non-renewal
- There is no fee/penalty for non-renewed parcels, although parcel’s tax assessment will gradually increase.
Non-Renewal Procedures for Substandard Parcels

- County will withdraw non-renewal notice if owner demonstrates that land meets guideline for commercial agriculture.
- If agricultural use on lot is part of larger agricultural operation on adjacent lots:
  - For lots in common ownership, owner must agree to contract amendment prohibiting separate transfer of undersized parcels.
  - For lots under different ownership, owners must sign/record joint management agreement.
Non-Renewal Option

• At owner’s request, allow time to establish an agricultural use by deferring non-renewal for three years
Valuation of Property Under Williamson Act Contract

- Property with structural improvements
- Restricted land value
Valuation for Non-Renewal
(pursuant to R & T Code section 426)

• Determine the value of the land as if it were not restricted by the Williamson Act (Proposition 13 value)

• Determine the value of the land as it is presently restricted by the Williamson Act

• Discount the difference in value between the non-restricted and restricted value for the number of years remaining in the non-renewal period
• Add the discounted value to the restricted value

• Repeat process for each year the property is in non-renewal

• The lower of the value calculation above or market value as of January 1 each year is enrolled and becomes the basis for taxation
## Estimated Non-Renewal Land Value

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 0</td>
<td>15,057</td>
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<tr>
<td>Year 1</td>
<td>258,837</td>
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<td>Year 2</td>
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<td>Year 3</td>
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<td>Year 8</td>
<td>459,377</td>
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<td>Year 9</td>
<td>499,137</td>
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<tr>
<td>Year 10</td>
<td>542,448</td>
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</tbody>
</table>
Non-Renewal Impact on Assessed Value

Assessment Pattern From Year Prior to Non-Renewal
• The most significant increase in value occurs in the first year of non-renewal

• The greater the difference between the Williamson Act restricted value and the Proposition 13 factored base year value the greater the first year increase will be

• Analysis of 268 Assessor’s parcels that may be in Phase I of the non-renewal program
Land Value Increase from $10 K to $50 K: 28%
Land Value Increase from $50 K to $200 K: 43%
Land Value Increase over $200 K: 22%
No Impact, at FBYV: 7%
Land Value Increase up to $10,000: 21%
Contract Monitoring/Enforcement

- Enhanced public education/outreach
- Increased follow-up on Assessor’s annual agricultural questionnaire
- Development proposals will trigger compliance review
- Review of all parcels on a regular basis
- Enforcement/penalties for “material breaches” under new state law
- Monitoring / enforcement fees
Open Space Easements

• State law allows owner to exchange Williamson Act contract for an Open Space Easement
• Definition of “open space” is very broad
• Easement must last at least 10 years
• Termination is similar to Williamson Act

• PUBLIC ACCESS IS NOT REQUIRED!
Open Space Easement Proposals

• 10 acre minimum for exchange
  – Option: No minimum acreage requirement. Would allow any non-renewed parcel to transfer into Open Space easement and be developed

• Two levels of easements proposed:
  1. Development restricted to 1,000 sq.ft. residence; no secondary dwellings
  2. Development of larger residence (subject to Design Review)

  Option: Tier 3 -- No development allowed; should provide greater tax benefits to owners who simply wish to hold land (or certain parcels) in natural state.
Open Space Easements

- Development restricted to 5% of parcel, not to exceed 5 acres

- Tax benefit is questionable, as it depends upon how the easement affects property value
  - Option: Tier 3 should allow a greater tax benefit

- If less restrictions, likely to be less tax benefits

- Owners of Williamson Act properties which do not have an agricultural use and meet minimum acreage requirements for Open Space Easement may be allowed to construct a residence
Web Sites

http://www.sccplanning.org

http://www.sccgov.org/agenda/home