



# COUNTY OF SANTA CRUZ <sup>0305</sup>

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## PLANNING DEPARTMENT

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KATHLEEN MOLLOY PREVISICH, PLANNING DIRECTOR

March 15, 2010

**AGENDA: April 5, 2011**

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz CA 95060

### **SUBJECT: STATUS UPDATE OF THE WILLIAMSON ACT PROGRAM**

Dear Members of the Board:

The purpose of this letter is to provide you with an update regarding the status of the Williamson Act Program and to recommend an approach regarding future agricultural conservation contracts in light of recent and potential future program changes.

### **BACKGROUND**

#### The Williamson Act

The California Land Conservation Act of 1965--commonly referred to as the Williamson Act--authorizes a city or county to enter into 10 year contracts with owners of land devoted to agricultural use, whereby the owners agree to continue using the property for that purpose, and the city or county agrees to value the land accordingly for the purposes of property taxation. The Open Space Subvention Act of 1971 sets forth procedures for reimbursing cities and counties for a portion of the property tax revenues not received as a result of those contracts.

Under the Williamson Act 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).

In addition to the standard 10-year Williamson Act Contract, a landowner can request consideration of a 20-year Williamson Act Contract, also known as a Farmland Security Zone agreement. 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. A contract under the Farmland Security Zone provisions results in a greater reduction in land value assessment, in that a further 65% reduction from the lowered value based on the standard Williamson Act valuation method is provided.

An Open Space Easement is another land preservation option which is similar to the Williamson Act 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 Easement and a Williamson Act Contract is that the Williamson Act Contract preserves commercial agriculture resources while an Open Space Easement preserves open space for public benefit or for environmental protection. Open Space Easements were created under the Open Space Easement Act of 1974 and are not eligible for state reimbursement or subvention funding.

Under the Williamson Act Contracts, applications are first submitted to the Agricultural Policy Advisory Commission (for Agricultural Preservation Contracts) and the Planning Commission for recommendations. 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 provided in the agreements. 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 and may have a significant monetary impact to the landowner. All contracts must be approved by the Board of Supervisors.

#### The Open Space Subvention Act (OSSA)

The Open Space Subvention Act (OSSA) provides a partial reimbursement of property taxes not received as a result of these Williamson Act contracts to cities and counties that participate in the California Land Conservation Act, or Williamson Act. These reimbursement funds are distributed on an annual basis to participating counties based on the number of acres and quality of land enrolled under eligible contracts.

The Budget Act of 2009 reduced the State Williamson Act budget for 2009-10 to a total of \$1,000 statewide, which essentially eliminated reimbursements to participating counties and cities. The County Assessor's Office estimated a loss to the County of about \$22,000 in subvention funds for 2009-10. Other counties with more acreage under contract sustained much greater losses in reimbursement funds. Due to the loss of this funding counties have discussed alternative scenarios such as non-renewal of non-compliant lands, non-renewal of existing compliant contracts, and/or establishing a moratorium on new contracts.

#### **SENATE BILL 863**

With support from the Regional Council of Rural Counties and the California State Association of Counties, Senate Bill 863 was passed in 2010 to, among other things, address issues associated with loss of reimbursement funding. It 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 counties to revise all existing contract terms to recapture a portion of the property tax forgone from the landowner, provided certain conditions are met, including notice to all contract holders.

Larger agricultural counties that have lost or are at risk of losing the reimbursement of property tax revenues in the millions of dollars are more likely to go through the administrative process of revising all existing contracts; however Planning staff estimates that the effort and attending costs of participating in this program option will not yield an appreciable financial benefit.

## **FINANCIAL ANALYSIS OF EXISTING COUNTY LAND PRESERVATION CONTRACTS**

### Open Space Easements

The Assessor's Office has determined that there are 146 parcels with Open Space Easements in the county. These parcels are assessed at the lower of their Proposition 13 factored base year value or their restricted Open Space Easement value. Of the 146 parcels, 24 are assessed at their Proposition 13 factored base year values and 122 are assessed at their restricted Open Space Easement values. The total reduction in value for the 122 parcels receiving a restricted Open Space Easement assessment is \$12,489,054. Although these parcels, like Williamson Act contracted parcels, are assessed at lower values based on their reduced development potential, they are not eligible for subvention funds because they were created by the Open Space Easement Act of 1974 rather than the Open Space Subvention Act of 1972. The annual loss to the General Fund and Board governed districts is estimated by the Auditor-Controller at \$21,442.

### Williamson Act Contracts

According to the County Assessor's Office, there are 169 parcels with Williamson Act contracts in the county. Ten additional parcels are currently in the application process under three proposed 20-year Farmland Security Zone contracts (multiple parcels may be placed under one contract). The parcels under contract are assessed at the lower of their Proposition 13 factored base year value or their restricted Williamson Act value. Of the 169 parcels, 37 are assessed at their factored Proposition 13 base year values and 132 are assessed at their restricted Williamson Act values. It should be noted that 10 of the parcels under Williamson Act contracts are welfare exempt, meaning that the parcels are owned by qualifying organizations that have been determined by the State Board of Equalization to be exempt from property taxes.

The Assessor's Office estimates the total reduction in value for the parcels receiving restricted Williamson Act assessments is \$30,355,390. This figure does not include parcels exempt from property taxes. Loss of tax revenue on these parcels to the General Fund and Board governed districts is estimated by the Auditor-Controller at \$52,117. The annual subvention payment received by the County from the State to offset this loss of tax revenue averaged approximately \$22,700 per year during the years 2006-2008, which was prior to any state reduction funding. In 2009, when a total of \$1,000 was appropriated on a state-wide basis, the County did not receive a reimbursement from the State. For 2010-11, the County requested \$20,097; however, a budget trailer bill (SB 80) was passed on March 24<sup>th</sup>, 2011 which, among

other subjects, included the deletion of the \$10 million appropriation provided by Senate Bill 863 as well as the repeal of a provision allowing counties to adopt 10 percent shorter Williamson Act contracts.

## **GOVERNOR'S PROPOSED 2011-2012 STATE BUDGET**

The \$10 million appropriation provided by Senate Bill 863 is, however, proposed for elimination in the Governor's proposed 2011-2012 state budget. Although additional funding for the program is not included in the proposed budget, the program itself is not proposed for elimination. As a result, cities and counties would be responsible for absorbing tax losses in 2011-2012.

## **APPLICABLE GENERAL PLAN/LCP POLICIES**

The County General Plan/Local Coastal Program is supportive of the protection of Open Space and Commercial Agricultural Lands, as demonstrated by the following objectives:

*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.*

Protection of land for open space and commercial agricultural uses has long been a priority of the Board of Supervisors, and the County has provided incentives for land owners to keep land in these uses through the Williamson Act, Farm Land Security Act Zone and Open Space Act contracts for over 30 years.

## **RECOMMENDATION FROM THE AGRICULTURAL POLICY ADVISORY COMMISSION**

On February 24, 2011, staff provided the Agricultural Policy Advisory Commission (APAC) with a status report on the Williamson Act Program, including Planning staff recommendations to decline participation in the reimbursement programs provided under SB 863, to continue existing contracts, and to consider new applications for contracts under certain circumstances. No public testimony was received at the public hearing regarding this item.

The Commission considered the impacts of eliminating participation in the Williamson Act Program as a result of the loss of property tax reimbursements. The Commission agreed that the elimination of the Program would not necessarily result in the loss of existing and potentially viable agricultural land given that the development potential of eligible parcels is already limited by Commercial Agricultural (CA) zone district restrictions. Additionally, it was agreed that because CA zoned parcels are already assessed at a lower value, there is already a financial incentive for property owners to retain this use. However, Commissioners also acknowledged that it might be appropriate to continue County participation in the Williamson Act program in light of existing General Plan policies, and in light of the County's long-standing

commitment to deploy various tools and programs to protect commercial agricultural land and open space. The APAC therefore supported continuation of the Williamson Act Program and concurred that the County's participation in the SB 863 program was not sufficiently beneficial to warrant the potential administrative burden. The APAC resolution (Attachment 1) and meeting minutes (Attachment 2) are attached with this letter for your reference.

In conjunction with this approach, the Board can receive a financial analysis for each new application, so that the impacts of any future conservation contracts are considered as part of the application and approval process.

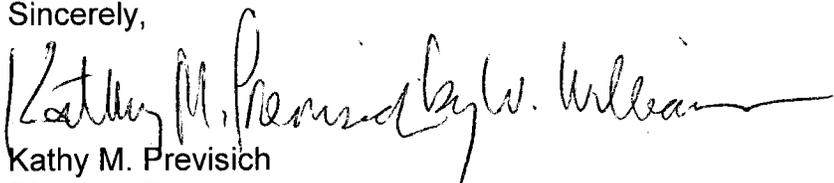
## SUMMARY & CONCLUSION

Although it appears at this time that the state budget will not include funds to reimburse cities and counties for the loss of property tax revenues as a result of contracts entered into under the Williamson Act for 2011-12, the County's General Plan policies support these programs. Staff proposes that each new application include a financial analysis of the property tax revenue that would be lost by each taxing agency if such contracts are approved by the Board of Supervisors. The Williamson Act Program is of keen interest to counties with agricultural lands, and counties have a significant stake in seeing that some kind of reimbursement program is restored in the future. Staff will keep your Board informed of any further developments as they evolve.

It is therefore RECOMMENDED that your Board:

- Request the Auditor Controller and staff to develop and provide information regarding the estimated loss of property tax revenue that would occur for each taxing agency for any new Williamson Act contract applications, and
- Authorize the County Planning Department to continue to review applications under the Williamson Act for consideration and action by the Board of Supervisors.

Sincerely,



Kathy M. Previsich  
Planning Director

RECOMMENDED:



SUSAN A. MAURIELLO  
County Administrative Officer

Attachments:

1. APAC Resolution
2. APAC Meeting Minutes of the 2/24/11 public hearing

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

KP:CG:SHIG:\Board Letters\Pending\March\April5WilliamsonActBSLtr

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

0311

RESOLUTION NO. 2-2011

On the motion of Commissioner McCrary  
duly seconded by Commissioner Kimes  
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:

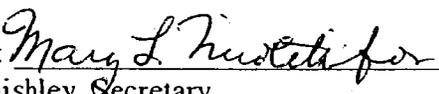
AYES: COMMISSIONERS Kimes, Earnshaw, Dau, McCrary

NOES: COMMISSIONERS

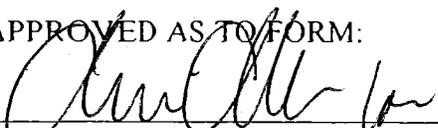
ABSENT: COMMISSIONERS Manfre.

ABSTAIN: COMMISSIONERS

  
\_\_\_\_\_  
Bruce Dau, Chairperson

ATTEST:  for Ken Corbishley  
Ken Corbishley, Secretary

APPROVED AS TO FORM:

  
\_\_\_\_\_  
COUNTY COUNSEL



# County of Santa Cruz

0312

BRUCE DAU, Chairperson  
 KEN KIMES, Vice Chairperson  
 Ken Corbishley, Executive Secretary

## MINUTES OF REGULAR MEETING

**FEBRUARY 24, 2011**

**1:30 PM**

Agricultural Extension Auditorium  
 1432 Freedom Boulevard  
 Watsonville, California

Present: Bruce Dau, Sam Earnshaw, Ken Kimes, Frank "Lud" McCrary.  
 Excused absence: Michael Manfre  
 Unexcused Absence: None  
 Others: Samantha Haschert, Nell Sulborski, MaryLou Nicoletti

1. Called the meeting to order.
2. (a) Approved minutes of the meeting of January 20, 2011. Motion/Second: Earnshaw/McCrary
 

AYES: Dau, Earnshaw, Kimes, McCrary;  
 NOES: None;  
 ABSTAIN: None;  
 ABSENT: Manfre.
- (b) Revised staff report on agenda item #7.
3. No APAC correspondence.
4. No Commissioner's presentations.
5. Staff presentations:
  - a. MaryLou Nicoletti, acting Agricultural Commissioner, gave a brief report from the Agricultural Commissioner's Office.
  - b. No updates from the Project Planner received.
6. No oral communication received.
7. Approved staff recommendations for project 101103. APN's: 060-141-33.

Motion/Second: McCrary/Kimes

AYES: Dau, Earnshaw, Kimes, McCrary;

NOES: None;

ABSTAIN: None;

ABSENT: Manfre.

8. Discussed the Current Status of the Williamson Act. Approved motion to recommend to the Board of Supervisors, through a resolution, that they continue support of the Williamson Act affecting agricultural land and the open space. Motion/Second: Kimes/McCrary

AYES: Dau, Earnshaw, Kimes, McCrary;

NOES: None;

ABSTAIN: None;

ABSENT: Manfre.

The meeting was adjourned.