

Economic Impact Study

Farm Bureau developed the following analysis of the economic effects of the new Farmland Security Zone law, using Monterey County as an example.

Economic Effects of Farmland Security Zone (FSZ) Contract for Landowners and Counties

Prime Land valued under Prop. 13, the Williamson Act, and Farmland Security Zone Methods:

1. Prop. 13 factored base-year valuation:
 $\$2000.00$ (assessed value) X $.01$ (tax rate) = $\$20.00$ (taxes) X $.17$ (county general fund portion) = $\$3.40$ (taxes to county general fund)
2. Williamson Act valuation:
 $\$1250.00$ (net rent value) X $.01$ (tax rate) = $\$12.50$ (taxes) X $.17$ (county general fund portion) = $\$2.12$ (taxes to county general fund) + $\$5/\text{acre}$ subvention = $\$7.12/\text{acre}$ (total revenue to county general fund)
3. FSZ valuation (i.e., 65% of the Williamson Act valuation or Prop. 13 valuation, whichever is lower):
 - a. $\$1250.00$ (net rent value) X 65% = 812.50 X $.01$ (tax rate) = $\$8.12$ (taxes) X $.17$ (county general fund portion) = $\$1.38$ (taxes to county general fund) + $\$5/\text{acre}$ Subvention = $\$6.38/\text{acre}$ (total revenue to county general fund)
 - b. $\$2000.00$ (assessed value) X 65% = $\$1300.00$ (adj. assessed value) X $.01$ (tax rate) = $\$13.00$ (taxes) X $.17$ (county general fund portion) = $\$2.21$ (taxes to county general fund) + $\$5.00$ subvention = $\$7.21$ (total revenue to county general fund)
4. Effects in taxes to landowner (a) and Monterey County General Fund (b):
 - a. $\$20.00 - \$12.50 = \$7.50$ less per acre under the Williamson Act, and $\$20.00 - \$8.12 = \$11.88$ less per acre under and FAZ contract. Thus, an additional savings of $\$4.38$ per acre less in overall taxes if a Williamson Act contract is converted to an FSZ contract.
 - b. $\$3.40$ in general fund revenue under Prop. 13 compared to $\$7.12$ in general fund revenue under the Williamson Act, and $\$6.38$ general fund revenue under an FSZ contract. Thus, an increase of $\$3.72$ and $\$2.98$ per acre, respectively, to the Monterey County General Fund.

California's Williamson Act program was significantly strengthened by the enactment of Farmland Security Zone legislation during the 1998 legislative session.

In return for a 35% additional reduction in property taxes over the current Williamson Act assessment, landowners already parties to a Williamson Act contract with a County may rescind their standard Williamson Act land preservation contract and simultaneously enter into a farmland security zone contract on the same parcel if the County has established a Farmland Security Zone which includes that parcel.

The Farmland Security Zone statute (Government Code Section 51296) found in Article 7 of the Government Code, Chapter 7 of Title 5, Division 1, Part 1 limits Farmland Security Zone

eligible land to parcels designated on the Important Farmland Series Maps, prepared pursuant to Government Code Section 65570, as predominantly one or more of the following:

1. Prime farmland;
2. Farmland of statewide significance;
3. Unique farmland, or,
4. Farmland of local importance.

If the land is not designated on the Important Farmland Series maps, it will qualify if it is predominantly agricultural land defined as prime under Government Code Section 51201(c). (Government Code Section 51296(i).)

In enacting the Farmland Security Zone scheme, the legislature sought to expand the options currently available to landowners desiring to preserve agricultural land by encouraging the creation of longer-term, voluntary enforceable restrictions on farmland already in established agricultural preserves.

By converting all or a portion of these preserves into Farmland Security Zones and then entering into Farmland Security Zone contracts with the owners of the agricultural property within them, the property will be further encumbered, beyond the restrictions already existing under a standard Williamson Act land preserve contract, in the following respects:

1. The initial term of a Farmland Security Zone contract is to be no less than 20 years. This is a rolling 20 years, similar in concept to the 10 year term of a land preserve contract, with an additional year being added automatically annually to the initial term until a notice of non-renewal is given. (Government Code Section 51296(b)(4); Government Code Section 51296(j).)
2. It was the intention of the legislation's author, its sponsor, and the Assembly Natural Resources Committee not to permit cancellation of a farmland security zone contract prior to the expiration of the remaining term following a notice of non-renewal. In other words, it was not intended that farmland security zone contracts could be prematurely cancelled even after a hearing, Government Code Section 51282 findings, and the payment of a 12½ percent fair market value penalty under Government Code Section 51283. As the bill analysis of the Assembly Committee on Natural Resources states: "This bill does not provide for a similar cancellation of a farmland security zone contract".
3. The compatible use provisions contained in Government Code Section 51238.1(c) are not available to Farmland Security Zone parcels. (Government Code Section 51296(h).)

On the other hand, Farmland Security Zone property under contract will be enhanced as long-term viable, economic agricultural production units by reason of the following:

(1) As previously mentioned, the property will receive a property tax valuation reduction of an additional 35% in accordance with the provisions of the new Revenue and Taxation Code Section 423.4. (Government Code Section 51296(b)(4).)

(2) Any special tax approved by voters on or after January 1, 1999 on the land or its living improvements must be levied at a reduced rate unless the tax directly benefits the land or those living improvements. (Government Code Section 51296(c)(2).)

(3) Farm Security Zone land may not be annexed to a city unless the Farm Security Zone is in an area approved by the voters for urban improvements, all or a portion of the Farm Security Zone parcel is necessary for the location of a public improvement as defined by Government Code Section 51290.5, or the landowner consents. (Government Code Section 51296(d).)

(4) A local area formation commission may not take any action which will result in the annexation of Farmland Security Zone parcels to a special district providing services, non-agricultural water, streets, or roads unless these facilities or services benefit land uses allowed under the farm security zone contract and the landowner in addition consents to the annexation. (Government Code Section 51296(e).)

(5) A school district may not acquire the right to utilize land in a Farm Security Zone. (Government Code Sections 51296(f) and 51296(g).)

Any rural California county, as well as those in transition, interested in enhancing the long-term security of their agricultural economies, or what remains of them, should give serious consideration to establishing Farmland Security Zones in appropriate areas.

Undeniably, Farmland Security Zone parcels under contract will have attached to them added layers of encumbrances over what are found in a standard Williamson Act land preserve contract parcel. The landowner, however, is being compensated for these added restrictions through additional property tax relief. On the other hand, the county and its citizens are benefiting through the assurance of the preservation of open space on which there is a viable, agricultural production unit which during at least the next 20-year period will continue to contribute to the diversification of the county's economy.