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No. 2018/005

January 16, 2018

TO COUNTY ASSESSORS:

URBAN AGRICULTURAL INCENTIVE ZONE CHANGES

The Governor recently signed Assembly Bill (AB) No. 465 (Stats, 2017, ch. 313), which expands local government's ability to reduce property taxes for owners of unimproved urban parcels used for small scale agricultural production. Effective January 1, 2018, AB 465 amends Government Code section 51042 to (1) extend the sunset date for entering into an Urban Agricultural Incentive Zone Act contract from 2019 to 2029 and (2) apply the existing parcel size and use requirements to contiguous parcels under contract.

Since January 1, 2014, the Urban Agricultural Incentive Zone Act¹ (UAIZ) allows a city, county, or city and county to create an Urban Agricultural Incentive Zone and enter into a contract with a landowner to restrict vacant, unimproved, or blighted land in urban areas for small-scale agricultural use. "Urban" means an area that includes at least 250,000 people. UAIZ contracts have an initial term of at least five years and are valid and enforceable for the duration of the contract.

While under a UAIZ contract, Revenue and Taxation Code section 422.7 requires assessors to annually value land at a rate based on the average per-acre value of irrigated cropland in California, adjusted proportionally to reflect the acreage of the property under contract, as most recently published by the National Agricultural Statistics Service of the United States Department of Agriculture.² This annual value using the published per-acre rate is then compared to the current fair market value and the factored base year value. The lowest of the three values is enrolled as of the lien date.

Sunset Date

Under the initial UAIZ Act, contracts could be entered into until January 1, 2019. AB 465 extends this date for an additional 10 years. Thus, the last date to enter into a UAIZ contract is January 1, 2029, unless the Legislature further extends this sunset date.

¹ Government Code sections 51040 – 51042.

² The average per-acre value of irrigated cropland is annually published via Letter To Assessors. LTA 2017/036 is the most recent letter issued to date.

Eligible Property

Real property eligible for this program must be between 0.1 acres and 3 acres and dedicated to agricultural use. While dwellings are prohibited on property subject to an UAIZ contract, structures that support agricultural activity are allowed. Examples of such structures include toolsheds, greenhouses, and produce stands. AB 465 amends these provisions to provide that the specified property size and use requirements also apply to a combination of contiguous properties under a UAIZ contract.

A copy of Government Code section 51042 is enclosed, with the changes in ~~strikeout~~ and *italics* format. If you have any questions regarding this issue, please contact our County-Assessed Properties Division at 1-916-274-3350.

Sincerely,

/s/ David Yeung

David Yeung, Chief
County-Assessed Properties Division
Property Tax Department

DY:gs
Enclosure

Effective January 1, 2018, Assembly Bill No. 465 (Stats, 2017, ch. 313) amends Government Code section 51042 to read:

51042. (a) (1) (A) A county or city and county may, after a public hearing, establish by ordinance an Urban Agriculture Incentive Zone within its boundaries for the purpose of entering into enforceable contracts with landowners, on a voluntary basis, for the use of vacant, unimproved, or blighted lands for small-scale agricultural use.

(B) A city may, after a public hearing and approval from the board of supervisors of the county in which the city is located, establish by ordinance an Urban Agriculture Incentive Zone within its boundaries for the purpose of entering into enforceable contracts with landowners, on a voluntary basis, for the use of vacant, unimproved, or blighted lands for small-scale agricultural use.

(2) Following the adoption of the ordinance pursuant to paragraph (1), a city, county, or city and county that has established an Urban Agriculture Incentive Zone within its boundaries may adopt rules and regulations consistent with the city, county, or city and county's zoning and other ordinances, for the implementation and administration of the Urban Agriculture Incentive Zone and of contracts related to that Urban Agriculture Incentive Zone.

(A) The city, county, or city and county may impose a fee upon contracting landowners for the reasonable costs of implementing and administering contracts.

(B) The city, county, or city and county shall impose a fee equal to the cumulative value of the tax benefit received during the duration of the contract upon landowners for cancellation of any contract prior to the expiration of the contract, unless the city, county, or city and county makes a determination that the cancellation was caused by extenuating circumstances despite the good faith effort by the landowner.

(b) Following the adoption of the ordinance as required by subdivision (a), a city, county, or a city and county may enter into a contract with a landowner to enforceably restrict the use of the land subject to the contract to uses consistent with urban agriculture. Any contract entered into pursuant to this chapter shall include, but is not limited to, all of the following provisions:

(1) An initial term of not less than five years.

(2) A restriction on property, *or combination of contiguous properties*, that is at least ~~0.10~~ 0.1 acres, and not more than three acres.

(3) A requirement that the entire property, *or combination of contiguous properties*, subject to the contract shall be dedicated toward commercial or noncommercial agricultural use.

(4) A prohibition against any dwellings on the property while under contract.

(5) A notification that if a landowner cancels a contract, a city, county, or city and county is required to assess a cancellation fee, pursuant to subparagraph (B) of paragraph (2) of subdivision (a).

(c) A contract entered into pursuant to this chapter shall not prohibit the use of structures that support agricultural activity, including, but not limited to, toolsheds, greenhouses, produce stands, and instructional space.

(d) A contract entered into pursuant to this chapter that includes a prohibition on the use of pesticide or fertilizers on properties under contract shall permit those pesticides or fertilizers allowed by the United States Department of Agriculture's National Organic Program.

(e) A city, county, or city and county shall not enter into a new contract, or renew an existing contract pursuant to this chapter after January 1, ~~2019~~, 2029. Any contract entered into pursuant to this chapter on or before January 1, ~~2019~~, 2029, shall be valid and enforceable for the duration of the contract.

(f) Property subject to a contract entered into pursuant to this chapter shall be assessed pursuant to Section 422.7 of the Revenue and Taxation Code during the term of the contract.

(g) A county or a city and county shall not establish an Urban Agriculture Incentive Zone within any portion of the spheres of influence of a city unless the legislative body of the city has consented to the establishment of the Urban Agriculture Incentive Zone.

(h) A city, county, or city and county shall not establish an Urban Agriculture Incentive Zone in any area that is currently subject to, or has been subject to within the previous three years, a contract pursuant to the Williamson Act (Article 1 (commencing with Section 51200) of Chapter 7 of Part 1 of Division 1 of Title 5).