



**RESOURCE MANAGEMENT
AGENCY
COUNTY OF TULARE
AGENDA ITEM**

BOARD OF SUPERVISORS

ALLEN ISHIDA
District One

PETE VANDER POEL
District Two

PHILLIP A. COX
District Three

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District Four

MIKE ENNIS
District Five

AGENDA DATE: June 2, 2009

Public Hearing Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Published Notice Required	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Advertised Published Notice	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Meet & Confer Required	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Electronic file(s) has been sent	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Personnel Resolution attached	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Resolution, Ordinance or Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>

CONTACT PERSON: Celeste Perez PHONE: (559) 733-6291

SUBJECT: Tulare County Williamson Act Program: Fiscal Impact Update

REQUEST(S):

That the Board of Supervisors:

Receive a Report on the current status of the financial impact on Tulare County of the Williamson Act Program.

SUMMARY:

This is the second of two presentations on the Tulare County Williamson Act Program. This presentation, by RMA Staff and Assistant County Assessor Roland Hill will include a summary of fiscal impacts to the County, including tax revenues from Williamson Act properties; a brief discussion of how properties are assessed; data illustrating impacts of the subvention payment on County revenues; fiscal impacts of nonrenewal; and a brief summary of possible changes to the Program.

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Tulare County Williamson Act Program Overview

On April 7, 2009 RMA staff presented a general overview of the Tulare County Williamson Act Program to the Board of Supervisors, including a summary of program features and inventory of Williamson Act lands, a discussion of substandard parcels, current strategies for prevention of premature conversion of agricultural lands and a summary of the Fresno County work program in addressing similar issues.

Background: Williamson Act Program

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 related open space use. In return, landowners receive reduced property tax assessments. Local governments receive an annual subvention for lost property tax revenues from the State Open Space Subvention Act of 1971, which is designed to offset at least part of the loss of County tax revenues.

Part 1. Fiscal Issues of The Williamson Act Program

This section of the report presents information on the following:

- a) Tax assessment of Williamson Act properties;
- b) Case studies illustrating tax assessment;
- c) State subvention payments to the County;
- d) Impact on tax revenues of a potential loss of State subvention funds;
- e) Impact on County Tax revenues of properties entering nonrenewal.

a. Tax Assessment of Williamson Act Properties

Williamson Act Land assessed values are re-calculated annually, according to State requirements, and are based on several variable factors, including:

- base value of property when it entered Williamson Act;
- improvements on the land;
- estimated rental values (grazing lands)
- annual changes in crop value.

Assessed values for grazing lands include the base value of the property, along with improvements and estimated rental rates, based on quality of the grazing lands. Assessed values for crop-producing Williamson Act lands include the land values, the growing improvement value (crops) and the value of any other improvements (such as grape vine trellises). Homesites on Williamson Act lands are not included

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in the acreage receiving the Williamson Act restricted value.

Assessed values are calculated annually for each property under Williamson Act, and values vary according to land value and improvement value.

b. Case Studies illustrating tax assessment

The following three case studies illustrate how different factors impact assessed values on individual properties:

Case Study 1: Tax Revenues to the County: Williamson Act Versus Market Value

Case 1 illustrates the difference in market value and Williamson Act assessed values, and the impact on revenue to the General Fund for a 160 acre parcel of grazing land, with a recent Williamson Act contract, established in 2008.

Case Study 1:

Tax Revenues to the County: Williamson Act Versus Market Value*

Category	A. Assessed Value	B. Taxes (1% tax rate)	C. Revenue to General Fund (16% of Taxes)
Market Value (2008 Base Year Value)	\$166,464	\$1,665	\$266
Williamson Act Restricted Value	\$24,615	\$246	\$39
**Subvention Reimbursement (WA)			\$160 (\$1/acre x 160 acres)
WA Tax Revenue (WA + Subvention)			\$39 + \$160 = \$199
Difference (WA Tax Revenue - Market)			\$199-\$266 = <\$67> Net loss for Williamson Act Tax Revenue

**Calculated as Proposition 13 Base Year Values, 2008/2009 tax roll values*

160 acre parcel Grazing land, contract in 2008: Assessed Value (WA) based on rent value divided by cap rate: Rent value ("AU" rating = 20), Rent = \$10/acre x 160 acres = \$1,600 gross rent Divide by cap lien rate of 6.5% = \$24,615)

*** Subvention payment = \$1 per acre for nonprime*

In the above example, there is a net loss of \$67 in tax revenue to the General Fund for this 160 acre parcel of grazing land in this fiscal year. However, since subvention payments are fixed, subvention payments may meet or exceed the difference in tax assessment between Market value and Williamson Act assessed value.

Properties with older contract dates are assessed on older base year values, which are likely to be much lower than current value. When a property is sold, it remains in Williamson Act, but the base year value is re-set to the year of the sale. The subvention reimbursement is the same, in either case.

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Case Study 2: Tax Revenues Impacted by Base Year Value

Case Study 2 illustrates how the base year valuation can impact assessment value and tax revenues. This case study is based on a single parcel with a 2005 assessment based on a 1975 Base year valuation of \$150/acre. The property was sold in September, 2005. The taxes in 2006 are based on a new base year valuation (2005) of \$1,000 per acre. Note that the Williamson Act (WA) Restricted Assessment value remains low even after the assessed value increases after the sale of the property.

Case Study 2:

Compare Tax revenues from 2005 and 2006 from the same parcel (Williamson Act (WA) Parcel established in 1975 and sold in 2005).

2006 Assessment	A. Assessed Value	B. Taxes (1% tax rate)	C. Revenue to General Fund (16% of B)
Market Value	\$239,000	\$2,390	\$382
2005 Base Year Value			
Williamson Act Restricted Value	\$27,609	\$276	\$44
*Subvention Reimbursement (WA)			\$239
WA Tax Revenue			\$44 + \$239 = \$283
Difference (WA Tax Revenue – Market)			\$283 – \$382 = <\$99> Net Loss WA Tax Revenues
2005 Assessment	Assessed Value	Taxes (1% tax rate)	Revenue to General Fund (16% of Taxes)
Market Value	\$63,324	\$633	\$101
1975 Base Year Value			
Williamson Act Restricted Value	\$26,587	\$266	\$43
*Subvention Reimbursement (WA)			\$239
WA Tax Revenue (WA + Subvention)			\$43 + \$239 = \$282
Difference (WA Tax Revenue – Market)			\$282 - \$101 = \$181 Net Gain WA Tax Revenues

Study 3: Williamson Act Prime, Tax Assessments Based on Land Values and Growing Improvement Values for Different Crops

The previous two examples are based on Williamson Act grazing lands (nonprime). Case Study 3 illustrates how assessed values may vary for land growing different crops. The “growing improvements” represent the difference in crop value, and are recalculated annually. Growing improvements are assessed differently for Williamson Act and market value. Note that, in some cases, as in parcel 1: nectarines, Williamson Act growing improvement assessments can actually be higher than improvements assessed for market value properties.

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Case Study 3: Williamson Act Prime, Different Crops

Parcels	A. Market Value*	B. Williamson Act Assessed Value
Parcel 1: Nectarines		
Land	\$89,979	\$20,964
Growing Improvements	\$52,862	\$72,314
Total Assessed Value	\$142,841	\$93,278
Parcel 2: Oranges		
Land	\$312,046	\$76,718
Growing Improvements	\$178,966	\$3,084
Total Assessed Value	\$491,012	\$79,802
Parcel 3: Walnuts		
Land	\$382,035	\$83,939
Growing Improvements	\$221,793	\$50,072
Total Assessed Value	\$603,828	\$133,910
Parcel 4: Grapes		
Land	\$1,498,176	\$251,819
Growing Improvements	\$674,179	\$64,121
Total Assessed Value	\$2,172,355	\$315,940

**Calculated as Proposition 13 Base Year Values, 2008/2009 tax roll values.*

c. State Subvention Payments to the County

The state subvention payments to the County are designed to at least partially offset the County's lower tax assessments on Williamson Act properties. Lead agencies are required to submit an annual report to the California Department of Conservation itemizing all prime, nonprime, and farmland security zone acreage enrolled in the program. The subvention payments due to the County are based on payments of \$5/acre for prime and \$1/acre for nonprime acreage, and \$8/acre for farmland security zone acreage (Government Code (GC) Sections 16142 and 16142.1). The subvention funds from the State are applied to the Tulare County General Fund. In 2008, GC Section 16142(d) was adopted, enacting provisions of the 2008 Budget Act, which will result in a reduction of State subvention payments by 10%:

"Notwithstanding any other provision of law, for the 2008-09 fiscal year and each fiscal year thereafter, the Controller shall reduce, by 10 percent, any payment made pursuant to this subdivision."

For the 2008/2009 Tax year, subvention payments due to Tulare County from the State totaled \$3,440,425.06. However, as a result of the 10% cut in subvention reimbursement, Tulare County subvention payments will be reduced by \$344,042.51 to \$3,096,382.55. At the time this staff report was completed (May 15, 2009) a final decision on the future of the State Williamson Act program had not yet been reached.

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d. Impact on Tax Revenues of Potential Loss of Subvention Funds

The following table illustrates the fiscal impacts of the Williamson Act program on County revenues for the 2008/2009 tax year. Table 1 compares market assessed values versus Williamson Act assessed values for all Williamson Act properties currently enrolled in the Tulare County Williamson Act program. The contribution of the subvention payments is also included:

Table 1: 2008/2009 Tax Revenues to the County:

	A. Assessed Value	B. Tax Revenue (1%)	C. County Share (16%)	D. Subvention Payments***	E. County Revenue
Market Value*	\$3,510,693,060	\$35,106,930	\$5,617,109		\$5,617,109
Williamson Act Value**	\$1,361,034,760	\$13,610,348	\$2,177,656	\$3,096,383	\$5,274,038
Difference <loss>	<\$2,149,658,300>	<\$21,496,583>	<\$3,439,453>		<\$343,071>

*Calculated as Proposition 13 Base Year Values, 2008/2009 tax roll values.

Data Source: 2008/2009 Data Assessor's Office April 16, 2009

**This includes all properties enrolled in the Williamson Act program in 2008/2009 tax year, including properties in Williamson Act, Farmland Security Zones, and in nonrenewal.

*** Estimated 2008/2009 subvention payments after 10% reduction

In the above example, note the difference in assessed value of \$2,149,658,300 for properties in the Williamson Act program, compared to their market rate assessed values (Column A). Tax revenue on assessed value is approximately 1% (Column B), and the County General Fund receives approximately 16% of tax revenue (Column C). The entire subvention payment is applied to the County General Fund (Column D). In the 2008/2009 tax year, the County will lose \$343,071 in tax revenues in the current year (Column E). Note that had the State paid the full 100% subvention payment, the County General Fund would have gained a slight increase in revenue, rather than a loss.

Should State subvention payments be eliminated entirely, Tulare County would lose approximately \$3 million dollars in revenue per year, every year. Tulare County Assessor Gregory Hardcastle has calculated that in order to offset the loss of the subvention payment (\$3,096,382.55), the County would need to add \$1,935,239,093.75 to the tax rolls.

e. Impact on County Tax Revenues of Properties in Nonrenewal

The duration of a Williamson Act Contract is ten years and is automatically extended each year unless a notice of nonrenewal has been filed with the County. In August, 1998, the Legislature enhanced the Williamson Act with the Farmland Security Zone (FSZ) provisions, which offer landowners greater property tax reduction in return for a minimum rolling contract term of 20 years. Nonrenewal can be initiated either by landowners or by the County.

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When Williamson Act properties are non-renewed, the County immediately loses the State subvention payments on the property. The assessed values will increase in a non-linear fashion over the 9-year nonrenewal period, until they reach market rate by when the property is out of Williamson Act. When a Williamson Act property enters nonrenewal, the largest increase in assessed value occurs in the first year of nonrenewal. Table 2 shows estimated increases in assessed values if all Williamson Act properties in nonrenewal. Note that the percentage increase is an average value—individual assessed values will vary somewhat depending on unique aspects of the property. The tax revenue to the General Fund is also included.

Table 2: Estimated Increases in Assessed Value if All Williamson Act (WA) Properties in Nonrenewal

Williamson Act (WA) Nonrenewal Year	Assessed Value*	% Increase*	Tax Revenue to the General Fund***	Increase in Tax Revenues over WA Tax Revenue	Difference in Tax Revenues (Market – Williamson Act NR)
0	\$1,361,034,760	n/a	\$2,177,656	\$0	n/a
1	\$2,220,898,080	40%	\$3,553,437	\$1,375,781	\$(1,720,602)
2	\$2,382,122,453	7.5%	\$3,811,396	\$1,633,740	\$(1,462,643)
3	\$2,543,346,825	7.5%	\$4,069,355	\$1,891,699	\$(1,204,684)
4	\$2,704,571,198	7.5%	\$4,327,314	\$2,149,658	\$(946,725)
5	\$2,865,795,570	7.5%	\$4,585,273	\$2,407,617	\$(688,766)
6	\$3,027,019,943	7.5%	\$4,843,232	\$2,665,576	\$(430,807)
7	\$3,188,244,315	7.5%	\$5,101,191	\$2,923,535	\$(172,848)
8	\$3,349,468,688	7.5%	\$5,359,150	\$3,181,494	\$85,111
Market Rate****		7.5%			
9	\$3,510,693,060		\$5,617,109	\$3,439,453	\$343,070

*Values for all Williamson Act properties, based on 2008/2009 assessed values.

** Calculated as the % of the difference between Market Rate assessed values and Williamson Act assessed values

***Taxes are an estimated 1% of assessed value. Revenue to General Fund is 16% of taxes = .0016 x assessed value). See Case studies 1&2 for more information on calculations

**** Values are approximate, and do not include the Proposition 13 adjustments to Base Year Values of up to 2% in assessed value per year.

Presentation Summary

This presentation has provided information on:

- tax assessment of Williamson Act properties;
- Case studies illustrating tax assessment;
- State subvention payments to the County;
- the impact on tax revenues of a potential loss of State subvention funds;
- impact on County Tax revenues of properties entering nonrenewal.

Tax assessment of Williamson Act properties is calculated on individual properties, and is based on factors, as demonstrated by several case studies.

Fiscal implications of the Williamson Act program tax assessment were analyzed for the 2008/2009 fiscal year, and indicate that if the County receives the anticipated subvention payment from the state, the County will lose an estimated \$343,071 in tax

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revenue for the 2008/2009 fiscal year. Should the State not provide subvention funds, the tax loss to the County would be \$3,439,453 in the first year. Tax losses would continue until year eight of nonrenewal, which would show a slight gain. The total loss in tax revenues during nonrenewal (years 1-7) will be \$6,627,075.

When Williamson Act properties are nonrenewed, the State subvention payment is immediately lost, but the tax assessments increase over a 9 year period until they reach market value. The greatest assessment increase occurs in the first year after nonrenewal.

Fiscal impacts of the loss of State subvention funding would be approximately \$3 million dollars in revenue per year, every year. Tulare County Assessor Gregory Hardcastle has calculated that in order to offset the loss of the subvention payment (\$3,096,382.55), the County would need to add \$1,935,239,093.75 to the tax rolls.

FISCAL IMPACT/FINANCING:

There is no net County cost associated with this research, beyond staff time required for the research.

LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:

The Williamson Act Program is consistent with Strategic Initiative 2: Economic Well-Being. Agricultural Preserves are one method of protecting the County's agricultural economy.


ALTERNATIVES:

[Click [here](#) & type]

INVOLVEMENT OF OTHER DEPARTMENTS OR AGENCIES:

Tulare County Assessor's Office
CAO's Office

ADMINISTRATIVE SIGN-OFF:



Jake Raper, Jr., AICP
Assistant Director, Planning

cc: Auditor/Controller
County Counsel
County Administrative Office (2)

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF
Tulare County
Williamson Act Program:
Fiscal Impact Update

)
)
) RESOLUTION NO. _____
) AGREEMENT NO. _____

UPON MOTION OF SUPERVISOR _____, SECONDED BY
SUPERVISOR _____, THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD June 2, 2009 BY THE
FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: JEAN M. ROUSSEAU
COUNTY ADMINISTRATIVE OFFICER/
CLERK, BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

* * * * *

That the Board of Supervisors:

Received a Report on the current status of the financial impact on Tulare County
of the Williamson Act program.