

DRAFT

June 12, 2015

To: Mayor Michael D. Antonovich
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Sachi A. Hamai
Interim Chief Executive Officer

REPORT BACK ON IMPLEMENTING AN URBAN AGRICULTURE INCENTIVE ZONES PROGRAM

On November 5, 2014, a Board-approved motion sponsored by Supervisor Mark Ridley-Thomas, directed the Chief Executive Officer (CEO), Chief Deputy Assessor, Director of Planning, and County Counsel to report back on the feasibility of implementing an Urban Agriculture Incentive Zones Program (UAIZ Program), as authorized by the California Urban Agriculture Incentives Zones Act (AB 551), including an assessment of the number of eligible properties in the County, a recommended budget and schedule for potential implementation of the Program, and the anticipated impact on property tax revenue and the Countywide budget. The CEO in collaboration with the departments of the Assessor, Regional Planning, County Counsel, Agricultural Commissioner/Weights and Measures, and Public Health have met and developed the following status report in response to your Board's directive.

Background

AB 551 aims to increase the use of privately owned, vacant land for urban agriculture and improve land security for urban agricultural projects by decreasing the property taxes assessed to such properties if they are used for agricultural purposes. With lower property taxes on plots of three acres or less, owners can lease them out to community gardeners dedicated to growing food for at least five years. This Program would increase the amount of healthy fruits and vegetables available within urban areas as well as reduce unused vacant lots that often become blighted.

AB 551 was modelled after the Land Conservation Act of 1965, a landmark state law credited with preserving millions of acres of open space and agricultural land that otherwise could have been lost to development. Similarly, the County recently adopted a Mills Act Program which creates a system of tax incentives to preserve historical properties. If the County were to adopt the Program, landowners would be able to enter

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into contracts with incorporated cities or the County that would base that parcel's property tax assessment on the agricultural value of the land, rather than the full market value.

Assessment of Eligible Properties

The Assessor has determined that there are a maximum of 56,950 Countywide parcels eligible for participation in the Program. The Assessor's analysis began by identifying all vacant parcels in Los Angeles County (176,467 parcels). For purposes of this analysis, a vacant parcel is defined as a parcel with no improvements (structures) and no improvement value on the tax roll. These parcels were then qualified against basic eligibility criteria established by AB 551:

1. Lot size between .10 acres and 3 acres;
2. Location within a United States Census Urban Zone;
3. Privately owned parcels not exempt from property taxation; and
4. Current tax assessment not below AB-551 formula rate (parcels whose current annual property taxes would allow for tax relief if eligible).

After applying these qualifiers, the remaining parcel count equaled 56,950 eligible parcels, of which 7,991 were located in County unincorporated areas. These parcels would only be eligible if the respective city in which the parcel was located had adopted a resolution to implement the program.

Property Tax Assessment Impact

Each year the assessment basis for land under a UAIZ contract will be based on the annual average per acre value of irrigated cropland in California as reported by the US Department of Agriculture's National Agricultural Statistics Service. This information will be posted annually on the California State Board of Equalization's website and communicated to the Assessor by January 1st. In 2014, the annual average was determined to be \$12,500 per acre. The assessment will be adjusted proportionally to reflect the acreage under contract. The difference between a parcel's current property tax assessment and that under a contract will differ parcel-by-parcel.

The UAIZ property under contract will be assessed annually, as of each lien date (January 1), at the lesser of the following two values:

1. The UAIZ assessment based on the per acre rate (described above); or

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- 2. The property tax assessment as normally assessed under existing law.

Note that entering into a UAIZ contract can lower a landowner's property tax assessment, but cannot raise it.

The Assessor will perform its assessment only for properties that have a signed contract by all parties as of the January 1 lien date. Contracts signed after January 1 will be assessed utilizing the UAIZ methodology on the following lien date. UAIZ benefits are limited to the land portion of the property's assessment.

The UAIZ reduction in assessment does not apply to the assessment of any pre-existing or subsequently constructed structures that support the agricultural use of the site. Additionally, any business personal property related to the property remains subject to property tax.

Penalty for Contract Cancellation

If a landowner breaks the five-year contract, State law requires that they repay the tax benefit that they received, unless the city and county make "a determination that the cancellation was caused by extenuating circumstances despite the good faith effort by the landowner."

Property Tax Revenue Impact

The Assessor is unable to determine the potential property tax revenue loss to all County taxing entities due to a number of uncertainties including the number of participating parcels; however, using estimated participation rates of 5 and 10 percent of total eligible parcels (56,950), the projected property tax revenue loss is in the range of \$6.7 million to \$13.3 million, respectively. These estimates represent total actual property taxes paid for 2014 less projected taxes to be paid under an approved exemption formula established by AB 551:

Estimate	Participation	Parcels*	Revenue Loss
Low End	5%	2,848	\$6,674,503
High End	10%	5,695	\$13,349,007
<i>*based on 56,950 total eligible parcel count</i>			

Cost Control Provisions

The County, or any participating city, may impose cost control provisions such as implementing a cap on the total property tax revenue loss and/or limiting the total

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annual or total aggregate number of contracts. These provisions are allowable under Title 22 of the Planning and Zoning Code. For example, the County's Mills Act Program limits the property tax revenue loss to a maximum of \$300,000 per year, and a total Program limit of \$3,000,000. In addition, the Mills Act Program limits participation to six contacts per year for the first three years, with no limit beginning in year four.

Implementation Options

Basic parameters for creating the eligibility of UAIZs are set forth in AB 551, but the County would need to determine potential UAIZ uses (e.g. crops or livestock) and whether or not items produced can be sold. The allowable uses contemplated by the County, such as growing crops, animal husbandry, and sale of produce and other agricultural products, will raise issues to be addressed by the affected departments including Agricultural Commissioner/Weights and Measures, Animal Care and Control, and Public Health, particularly if they are conducted on or adjacent to residential zones. Permitting for these uses will also need to be explored, including whether to use San Francisco's model with an administrative, multi-departmental Urban Agriculture Permit, which provides an additional layer of review, or use our existing permit structure to regulate the uses. The uses allowed and standards set to address issues created from such uses would be addressed in amendments to Title 22 of the Planning and Zoning Code.

In County unincorporated areas, the creation of a UAIZ Program only requires the adoption of an ordinance by the Board of Supervisors. Within incorporated cities, a UAIZ is created by a two-step process, requiring action by both the city and county. Either the city council or the County Board of Supervisors can begin the process. If started by a city council, the process requires an ordinance passed by the city council and a resolution signifying the Board of Supervisors' approval. If started by the Board of Supervisors, the process requires an ordinance from the Board of Supervisors and a resolution by the city council signifying its approval.

Option 1: a) City Council Ordinance -> b) BOS Resolution of Approval -> UAIZ Program

Option 2: a) BOS ordinance -> b) City Council resolution of approval -> UAIZ Program

In addition to designating the physical boundaries of a UAIZ, the initial implementing ordinance should also establish a process by which landowners can apply to place their land under contract. This administrative process of establishing a contract would likely be set forth in Title 22 of the Planning and Zoning Code as well. Likewise, the County would need to determine which department should administer and enforce compliance with these contracts. These activities may be partially offset by revenue derived from provisions of AB 551 which gives local jurisdictions the ability to impose fees to cover

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administrative costs.

Recommended Budget/Implementation Schedule

Participating departmental budget impacts are not known at this time. Also, given the uncertainties pertaining to the scope of the Program, we are unable to identify an implementation timeline. This information will be shared with your Board when it becomes available.

Conclusion and Next Steps

Based on the analysis conducted to develop this report, a County UAIZ Program is feasible. However, as indicated in the *Implementation Options* section, there are several Program issues/options which need to be addressed in order to develop specific implementation strategies for your Board's consideration. Given that any variation of a County Program will presumably begin with an amendment to Title 22 of the Planning and Zoning Code, Regional Planning will assume the lead role in all Program efforts. Lead role activities will include, but are not limited to: coordinating and facilitating Technical Working Group monthly meetings and to vet all Program options. Summary outcomes from the Working Group will be shared with the Planning Deputies for feedback/direction.

The CEO will provide administrative oversight, develop departmental funding recommendations, and serve as a liaison between the Board and Working Group. The Assessor, County Counsel, Agricultural Commissioner/Weights and Measures, and Public Health will continue to participate in the Working Group and assume specific roles and responsibilities as implementation strategies are established (Animal Care and Control will be added to the Working Group). In addition, the Working Group, in collaboration with the CEO, will provide the Board status reports, as warranted, detailing the overall progress of the Program development effort.

If you have any questions or need additional information, please contact me, or your staff may contact Rochelle Goff at (213) 893-1217, or via email at rgoff@lacounty.gov.

SAH:JJ:RG

AB:KD

Attachments

c: Executive Office, Board of Supervisors
County Counsel

[File Name]

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Agricultural Commissioner/Weights and Measures

Animal Care and Control

Assessor

Public Health

[Additional c's, in alphabetical order after Board of Supervisors]