

[Assembly Bill 465](#) (Ting)

Date: 04/06/17

Program: Property Taxes

Sponsor: Author

Government Code Sections 51040.3 and 51042

Effective: January 1, 2018

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This analysis is limited in scope to its property tax assessment related provisions.

Summary: Extends the sunset date for entering into an Urban Agricultural Incentive Zone Act contract from 2019 to 2029 and lowers the qualifying population threshold.

Purpose: According to the author, to expand the ability of local government to provide tax breaks to owners of idle urban plots so they can be transformed into community gardens.

Fiscal Impact Summary: Indeterminable.

Existing Law: Current law¹ allows cities and counties to create Urban Agricultural Incentive Zones and offer landowners preferential property tax assessment if the landowner enters into an enforceable contract (UAIZ contract) to restrict vacant, unimproved, or blighted land in urban areas for small-scale agricultural use. UAIZ contracts must be entered into on or before January 1, 2019 and are valid and enforceable for the duration of the contract. The initial contract term must be for at least five years.

While under a UAIZ contract, the law² requires assessors to value land at a rate based on the average per-acre value of irrigated cropland in California.

Proposed Law: This bill extends the date to enter into a UAIZ contract to January 1, 2029. Additionally, this bill lowers the specified "urban" population threshold from 250,000 to 50,000 people, and requires specified property size requirements and use requirements apply to a combination of contiguous properties under a UAIZ contract.

In General: The Urban Agricultural Incentive Zone Act (Act) requires a county assessor to value land that is enforceably restricted by a UAIZ contract at a rate based on the average per-acre value of irrigated cropland in California, as most recently published by the National Agricultural Statistics Service of the United States Department of Agriculture (USDA). The USDA annually publishes this information in August. The Act also requires the Board of Equalization (BOE) to [post](#) the published per-acre land values on its website within 30 days of publication by the USDA National Agricultural Statistics Service. No later than January 1 of each assessment year, the BOE must provide county assessors the per-acre value of irrigated cropland in California. Between 2014 and 2017, the per-acre values have ranged from \$12,100 to \$12,900.

Commentary:

1. **Effect of the bill.** This bill extends the opportunity for cities and counties to create the incentive program and enter into UAIZ contracts with willing property owners for an initial term of five years, reduces the "urban" population threshold to 50,000, and requires contiguous properties under a UAIZ contract to count towards minimum and maximum size requirements (1/10 acre to 3 acres).

¹ Government Code Section 51042

² Revenue and Taxation Code Section 422.7.

2. **The incentive program is set to expire in 2019.** The program was first added to law beginning January 1, 2014 via [Assembly Bill 551](#) (Ting). Extending the program will give more cities and counties the ability to create programs and allow more property owners the opportunity to enter into UAIZ contracts. The [author notes](#) that “the cities of Sacramento, San Diego, San Francisco, and San Jose along with the unincorporated areas in the counties of Santa Clara and Los Angeles have adopted programs allowing property tax breaks for urban agriculture. The cities of Los Angeles and Long Beach are working to establish such programs, and there is interest in many others.”

Costs: This bill would result in minor absorbable costs for the BOE to continue to provide per-acre land values.

Revenue Impact: This bill's revenue impact is indeterminable. First, the number of counties and cities that will create the tax incentive program is unknown. To date, four cities³ and two counties⁴ have established programs. Second, the number of property owners that will voluntarily enter into a UAIZ contract is unknown. To date, few UAIZ contracts exist in the state. Staff research indicates one in San Francisco, two in Sacramento, and one in San Jose. Additionally, a March 2017 [news article](#) reports that four property owners in the state have entered into contracts.

The resulting property tax reduction for any property placed under contract depends on the unique facts of that property: its Proposition 13 protected value (factored base year value) and its size. To illustrate the possible property tax savings to the landowner, we use the revenue proceeds from the largest possible land size (3 acres). For the 2017-18 fiscal year, the maximum possible assessed value for land in an UAIZ contract is \$38,700 (\$12,700/acre x 3 acres). At the basic 1% property tax rate, this equates to an annual property tax liability of \$387.

³ [Sacramento](#) (caps contract-related revenue loss at \$250,000) San Diego, [San Francisco](#) (requires additional Board of Supervisor approval when total contract-related revenue loss exceeds \$250,000) and [San Jose](#).

⁴ [Los Angeles](#) County (caps contract-related revenue loss at \$3 million) and [Santa Clara](#) County.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.