

Name: _____

County: _____

OPEN-SPACE PROPERTIES SELF-STUDY TRAINING SESSION

REVIEW QUESTIONS

1. The California Land Conservation Act is an effort to: [Mark all that apply]
 - Discourage noncontiguous urban development.
 - Stop or slow the increase in property taxes on farmland.
 - Preserve agricultural lands for the production of food and fiber.
 - Provide methods for restricting land use to agricultural purposes.
 - All of the above.

2. Trees and vines under an open-space contract are to be valued in the same manner as land under the contract.
 - True
 - False

3. Section 423 prescribes factors to be considered in valuing restricted property. These factors include: [Mark all that apply]
 - Reference to actual rents for similar properties when determining cash rents.
 - A six-year maximum period for crop rotations.
 - Valuing non-living improvements that contribute to land income in the same manner as enforceably restricted land if permitted by the contract.
 - Unless prohibited, the restricted value determined by the capitalization of income method will not exceed the lesser of either the current fair market value or the factored base year value of the property.
 - All of the above.

4. Properties under a Williamson Act Contract are never valued under the provisions of Article XIII A (Proposition 13), but rather under the enforceable restriction provisions afforded open-space properties.
 - True
 - False

5. Which of the following is not correct with regard to a compatible use for properties subject to a Williamson Act contract? [Mark all that apply]
- Cannot harm soil fertility.
 - Cannot benefit other property owners.
 - Cannot induce nonagricultural development of surrounding lands.
 - Cannot obstruct or displace potential agricultural operations.
6. The restrictions regarding condemnation or public acquisition of enrolled lands provide that contract termination through public acquisition is appropriate only for publicly owned facilities and interests.
- True
 - False
7. Section 423.4 makes provisions for the Farmland Security Zone, also known as the Super Williamson Act, to allow a contract term of _____ years.
8. Sections 423 and 423.5 provide the manner in which the income method is applied to the valuation of wildlife habitats.
- True
 - False
9. Except for wildlife and timberland contracts, the basic appraisal method applicable to the valuation of open-space land subject to an enforceable restriction is the _____ approach to value.
10. Unless contractually prohibited, the current taxable value of an open-space property cannot exceed the lowest of: [Mark all that apply]
- The current fair market value (calculated pursuant to section 110).
 - The current restricted value (determined via the income method).
 - A given percentage of its factored base year value (pursuant to section 423.3).
 - The factored base year value as if unrestricted (calculated pursuant to section 110.1).
 - All of the above.

11. The capitalization of income process may be represented by the mathematical formula $V = I/R$, where:
- V is _____
- I is _____
- R is _____
12. The income to be capitalized is the _____ attributable to the land.
13. Highest and best use must: [Mark all that apply]
- Be legally permissible.
 - Result in the highest income.
 - Be physically practical.
 - Be market supportable.
 - All of the above.
14. There is a rebuttable presumption that the _____ of open-space land is its highest and best use.
15. Examples of costs that may be included in calculating the economic feasibility of an alternative use include: [Mark all that apply]
- Current cost of irrigation.
 - Cost of changing the commodity produced.
 - Cost of new infrastructure requirements to produce the new commodity.
 - Market value of new commodity.
 - New or additional production costs.
 - Income loss during the conversion period.
 - Cost and availability of new labor/expertise.
 - All of the above.
16. Of the following, which is not correct when rebutting the property's present use as its highest and best use? [Mark all that apply]
- The use must only require minimal cost for change over.
 - The use must be compatible with the agricultural uses permitted.
 - The use must be common or general for comparable properties.
 - The use must increase the total economic return of the property.
 - All of the above.

17. An appraiser can estimate economic rent for land not currently producing income but having income-producing capabilities based on the highest and best use available under the terms of the enforceable restriction.
- True
- False
18. What are the basic methods for determining the economic income of a parcel to be valued under the provisions of section 423? [Mark all that apply]
- Cash rental analysis
- Cost analysis
- Share rental analysis
- Owner-operator return analysis
- All of the above
19. Cash rental analysis is generally the _____ and most _____ method for determining a property's economic rent.
20. Where an adequate water supply is a concern, the appraiser must account for the uncertainty either in the projected income stream or in the interest component added to the capitalization rate.
- True
- False
21. The local _____ annual tabulation of commodity prices is generally a good source of historical prices.
22. The normal procedure for determining the landowner's average annual gross return is to compute an estimated return per acre based on the net farmable acreage in the property.
- True
- False

23. In projecting historical prices, an appraiser should recognize principles that establish that:

[Mark all that apply]

- Commodity prices are subject to extreme long-term variations, though are cyclical in the short term, caused by cyclical changes in supply and demand.
- Recent prices are generally better indicators of future prices than prices received in prior years.
- Prices generally move proportionately with production.
- Land income fluctuates in direct proportion to sudden increases or decreases in commodity prices.
- All of the above.

24. The assessor must not assume that any use allowed by a contract approved by the county/city administration is a compatible use.

- True
- False

25. The inclusion of income from a recreational use in the income stream to be capitalized is limited by provisions of section 423(a)(2) and should not be included unless the land is actually _____.

26. Compute the value for the following foreign improvement site. Show your work.

The operation has a one-acre tower site leased for 15 years at \$750.00 per year. The term and rent are considered proper. The restricted land value for agricultural property purposes is \$350.00 per acre. The open-space capitalization rate is 7 percent (interest, taxes, and risk.)

27. If a commercial use is a permitted compatible use for a limited term, the assessor should value the commercial enterprise site similar to that described for the valuation of a foreign improvement site.
- True
- False
28. The following facts are true about income from water except:
- A sale of excess water is allowed by the water district.
- It is a permitted compatible use.
- Income capitalized must be based on income actually received.
- It must be sold to a contiguous property.
29. For exploration and extraction leases, economic rent may be difficult to determine because actual rents tend to vary with the bargaining power of the landowner.
- True
- False
30. Since the income to be capitalized in the valuation of open-space properties is the net income attributable to the land, the expenses necessary to maintain this income and the portion of the income attributable to improvements must be added to the expected gross income prior to capitalization.
- True
- False
31. Theoretically, a component for investment management is included in the yield rate for long-term government bonds and is therefore already included in the open-space capitalization rate.
- True
- False
32. In owner-operator income analysis, a _____ that includes both _____ and _____ management is generally deducted from the gross farm income as an expense; therefore, no other management charge need be deducted in such cases.
33. An advantage of using a straight-line method is that it results in different residual income to the land depending on the current market value of the improvements.
- True
- False

34. The interest component of the capitalization rate is determined by the county assessor based on the yield rate for long-term U.S. government bonds, and the corresponding yield rates for those bonds, as published by the Federal Reserve Board.

- True
- False

35. What two categories do risk elements for farming enterprises generally fall into?

a _____

b _____

36. If the projected net income to be capitalized is determined by analyzing price and production figures taken over a long enough time period as to include cyclical variations, then the income estimate should closely approximate the average amount the landowner will receive over the next several years.

- True
- False

37. Which of the following facts would have a significant impact on a property's project net income stream? [Mark all that apply]

- Soil erosion.
- Governmental regulations.
- Availability of farm labor.
- Wind damage.
- Endangered species regulations.
- Flood damage.
- All of the above.

38. For transitional property, the correct method of capitalizing the variable income stream is to determine the value of each segment of net income and add the present worth of the deferred portion to the value of the terminating portion.

- True
- False

39. Economic life greatly affects the earning capacity of an orchard or vineyard.

- True
- False

40. Share rents from analysis of short-term leases can only be applied to orchards or vineyards:
[Mark all that apply]

- Planted with the same variety of vines or trees.
- Located in the same county.
- In the same relative stage of production.
- Planted with a substantially equivalent percentage of vines or trees.
- All of the above.

41. Although _____ analysis is the preferable method of determining orchard or vineyard income, lack of data may preclude its use. Thus, the _____ income analysis may be the only applicable method of income determination.

42. What is the most common method of estimating the income attributable to the land?

43. The valuation of an orchard or vineyard must take into consideration the expected income for its entire remaining economic life. The result is a four-fold valuation problem consisting of:
[Mark all that apply]

- Determining the present worth of any deferred values.
- Estimating the shape, size, and duration of the income stream to be generated by the nonliving improvements.
- Capitalizing the various segments of the income stream by the appropriate method.
- Determining the future worth of any deferred values.
- Summing the present worth of each segment of the income stream to determine the total value of the nonliving improvements.
- All of the above.

44. Provide two examples of short-lived perennials which are classified as land for assessment purposes.

a _____

b _____

45. Restricted nonliving improvements are to be valued under section 423(d) and (e) at the:

- Lowest of restricted value, full cash value, or current market value.
- Lowest of restricted value, factored base year value, or current market value.
- Lowest of full cash value, factored base year value, or current market value.
- None of the above

46. Unrestricted improvements must be valued as though they were a separate appraisal unit and traded in that manner.
- True
- False
47. The size of a residential site on restricted property is limited to:
- 1 acre
- ½ acre
- 2 acres
- Whatever is reasonable
48. If a restricted property was purchased in 1995, a home built in 2000, and a swimming pool added in 2001, what is the base year for the site?
- 2001
- 1995
- 2000
- 1999
49. The discovery of the physical existence of minerals creates a taxable event.
- True
- False
50. The total appraised value of rural property subject to open-space restrictions includes: [Mark all that apply]
- Restricted land value.
- Residential sites.
- Restricted nonliving improvements.
- Value of mineral rights.
- All of the above.

51. You have a parcel of land subject to an open-space contract that is under nonrenewal and has a current market value of \$4,800 per acre, a factored base year value of \$4,300 per acre, and a restricted value of \$3,700 per acre. The open-space interest component is 5 percent. The county has adopted the provisions of section 423.3, and the taxable value for this property without consideration of the nonrenewal process would be 70 percent of the factored base year value. What would be the value for the first year of nonrenewal ?
- \$3,010
 - \$8,989
 - \$4,087
 - \$2,772
 - \$4,272
 - \$4,334
52. Sections _____ through _____ of the Government Code govern the cancellation of open-space contracts.
53. When valuing wildlife habitat contracts under section 423.7(b), sales of less than 150 acres cannot be used unless the sale is of an undivided interest of land subject to a wildlife habitat contract.
- True
 - False
54. The average per-acre value for all lands under wildlife habitat contract is determined by:
- _____
- _____
55. Wetland mitigation banking is a _____ tool which provides turnkey compensatory mitigation activities as an alternative to other lawful methods of mitigating project impacts for unavoidable wetland losses caused by development.
56. Standard conditions in agreements for the sale of wetland credits provide that the credits sold are non-transferable and non-assignable and do not transfer to the permittee any real property rights.
- True
 - False

57. The conveyance of wetland credits to a permittee constitutes a transfer of rights that would meet the change of ownership test of section 60.

True

False

58. Rule 463(b)(2) provides that new construction means and includes any substantial physical alteration of land which constitutes a major rehabilitation of the land or results in a

_____.

59. Although an annual valuation of all open-space properties is not specifically mandated by current statutes, which of the following statements are true regarding these properties: [Mark all that apply]

The assessor should work toward establishing and maintaining unrestricted base year and current market value appraisals of all restricted properties.

Restricted values must be adjusted to reflect changes in rates and incomes.

It is essential that all open-space properties are reviewed each year if the full compliance with all the requirements of open-space law is to be achieved.

A comparison of the property's restricted, market, and factored base year value must be made to determine the correct value to enroll.

All of the above.

60. Any value change to open-space properties should be a result of a _____ and not merely a _____.