



PROPERTY ASSESSMENT UNDER THE LAND CONSERVATION ACT

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HISTORY AND PURPOSE

In 1965 the State Legislature enacted the California Land Conservation Act (a.k.a. Williamson Act) in an effort to preserve agricultural lands for the production of food and fiber, and to discourage noncontiguous urban development. The law was an attempt to stop, or at least slow down, the increase in real property taxes on farmland by providing methods for restricting land use to agricultural purposes. In this brochure we will refer to the law as simply the LCA.

The LCA authorizes counties to establish agricultural preserves and enter into contracts for lands within those preserves. Agricultural preserves are intended to:

- discourage premature and unnecessary conversion of agricultural land to other uses
- preserve agricultural resources
- promote the continuance of agricultural operations within the County
- further the agricultural economy of the state and county

LENGTH OF CONTRACT

The LCA contract is a ten-year contract that automatically renews each year unless a notice of nonrenewal is given (see below). A twenty-year Farmland Security Zone contract is also available, but detailed information on the assessment of these contracts is outside the scope of this brochure. For more information on Farmland Security Zone contracts, please call the Agricultural Commissioner's Office at (805) 933-2926.

ADVANTAGES OF THE LCA CONTRACT

Property owners who participate in the LCA program may recognize significant savings in their property assessments.

The LCA contract applies to the assessment of land, trees and vines only. The basis for assessing LCA property is established by existing state laws. If there is a change of ownership, it has no effect on the legal status of the LCA contract.

Annually, three values are calculated for properties restricted under the LCA.

1. The current market value
2. The discounted factored base year value (Proposition 13)
3. The restricted LCA value

The lowest of the three values is enrolled.

1. **The Current Market Value**

This is the unrestricted market value of a property as of January 1 of each assessment year.

2. **The Discounted Factored Base Year Value**

When a reappraisable change of ownership occurs, a new base year value is established on all of the components of the property (land, improvements and trees). A discount is then applied to the assessment of specific components of the land, which is determined by the use of the land and its location. For example, homesite land (i.e. land suitable for a home) will not be discounted. Non-Prime land (i.e. non-productive land) will be discounted by 10%. Prime land (i.e. productive land) will be discounted by either 25% or 30%, depending on its proximity to a population center.

While improvements will not be discounted, trees will be discounted by either 25% or 30%, also dependent on their proximity to a population center.

Every year (unless a change of ownership occurs), the total discounted base year value of land, improvements and trees, is recalculated using the factor derived from the consumer price index. It cannot exceed two percent per year.

In a given year, if the discounted base year value is the lowest of the three values, it will become the enrolled value, and the property owner benefit from a property tax advantage for having their land and trees under contract.

3. **The Restricted LCA Value**

The restricted value is based on capitalized earnings. Capitalization is a method of appraising an income stream into an estimate of value.

California tax law allows two methods of capitalization. The preferred method is by capitalization of rent when there is sufficient data to determine economic rent. In Ventura County, vacant land in the LCA is typically assessed using this method whether it is rented or not.

The second method is the capitalization of owner-operator income. Farmers are required to report yearly income on the Agriculture Preserve Questionnaire, a document held in confidence by the Assessor. Orchards under contract are also usually assessed in this manner.

In calculating the restricted value, the Assessor uses net income. Net income is gross income (weighted over a three- or four-year period) less cultural costs and cash overhead costs. These costs are derived from surveys of landowners, agricultural service providers, water districts and other industry professionals.

The net income of the property is divided by the capitalization rate. The capitalization rate has three components: the amortization rate, the tax rate, and the yield rate.

The amortization rate is established by the Assessor. The tax rate is established by the Auditor. The yield rate consists of an interest rate component and a risk rate component. The interest rate is prescribed by tax law and computed annually by the State

Board of Equalization (BOE) as of September 1. It is based on the yield rate of long-term U.S. Government bonds as published by the Federal Reserve Board. Fluctuations in the interest rate can cause substantial value fluctuations as in the following example:

	<u>Income</u>		<u>Rate</u>		<u>Value</u>
1995	\$1,000	÷	.0700	=	\$14,285
2000	\$1,000	÷	.0625	=	\$16,000

This example deals only with fluctuations of the interest rate. The risk rate is established by the Assessor within limits set by the BOE.

DISADVANTAGES OF THE LCA CONTRACT

As specified in the Land Conservation Act, the property owner having land under contract is restricted to using the property for agriculture or for purposes compatible with agriculture.

If the property owner elects to not renew the contract, there is a nine-year period of nonrenewal before the property becomes unencumbered by the contract. The closer the LCA parcel is to an urban or other developing area, the greater the chance of financial loss should the property owner wish to sell.

TAX RATES

Tax rates are established by the Auditor and applied to the net taxable value. They are the same for LCA properties and unrestricted properties.

TERMINATION OF THE CONTRACT

There are two methods of terminating the LCA contract: nonrenewal and cancellation.

Nonrenewal – Notice of nonrenewal may be submitted to the Planning Division of the Resource Management Agency by the landowner. The County of Ventura may also initiate a Notice of Nonrenewal. Nonrenewal is accomplished over a nine-year period during which the taxes escalate at a fluctuating rate until the tenth year when taxes will then be based on the full unrestricted factored base year value. Typically, the greatest escalation in taxes is in the first year of nonrenewal, but it will continue to vary over the nonrenewal period. The property owner must continue to complete and file the Agriculture Preserve Questionnaire with the Assessor’s Office each year during the nonrenewal period.

If there is a reappraisable transfer of ownership during the nonrenewal period, the value will be affected.

Cancellation – LCA contract cancellation requires the approval of the Board of Supervisors, who allow a cancellation only on an extremely rare basis. If allowed, the fee for cancellation is approximately 12.5% of the current market value for a 10-year contract.

PROPERTY EXCLUDED FROM THE LCA CONTRACT

Land used for homesites, including farm labor housing, is excluded from the contract. So are all improvements, including pipelines, pumps, wind machines, and buildings. When a change of ownership occurs on an LCA property, only those portions of the property excluded from the contract are subject to a supplemental assessment.

ASSESSMENT APPEALS

Differences over the valuation of property are handled by the Assessment Appeals Board or an Assessment Hearing Officer. They consider all evidence presented by the property owner and the Assessor’s Office at a formal hearing. The Assessment Appeals Board or Hearing Officer then determines the value of the property in question. Generally, appeals of regular assessments must be filed between July 2 and September 15. Appeals of supplemental assessments must be filed within 60 days of the supplemental notice date. All appeal applications must be filed with:

VENTURA COUNTY CLERK OF THE
ASSESSMENT APPEALS BOARD
Administration Building, 4th Floor
800 South Victoria Avenue
Ventura, California 93009-1920
Or File online at:

venturacounty.gov/county-executive-office/clerk-of-the-board/

For more information or to discuss filing requirements specific to your property, please call (805) 654-2251, Clerk of the Assessment Appeals Board.

ASSESSOR’S RESPONSIBILITIES

The Assessor values all LCA property. The Assessor mails the Agriculture Preserve Questionnaire, analyzes income, inventories property types, and answers all property owners’ questions regarding valuation. Please be aware that completion of the questionnaire is a requirement, as indicated in the contract guidelines. Failure to timely file the annual questionnaire is a breach of the LCA contract. For more information on the valuation of LCA properties, please contact the Assessor’s Office at (805) 654-2181, and request to speak with a member of our Rural Appraisal Team.

AGRICULTURAL COMMISSIONER’S RESPONSIBILITIES

The Agricultural Commissioner’s Office processes applications for establishment or alteration of an existing LCA contract, which are then presented to the Ventura County Board of Supervisors for approval. The Agricultural Commissioner determines if a property is eligible for an LCA contract based on the requirements of the Williamson Act and County LCA Guidelines. They also process applications for nonrenewal or cancellation of LCA contracts and ensure compliance with laws and rules governing LCA properties. For more information and/or an application, please call the Agricultural Commissioner at (805) 933-2926.

This information is intended to be a general guide. For specific information on any of the subjects discussed herein, please call the telephone numbers indicated within the document.