

STAFF REPORT

BOARD MEETING DATE:

October 17, 2023

CATEGORY:

Scheduled Hearing 1

SUBJECT:

Take the following actions: (1) Receive a presentation from the Auditor-Controller on the history of the Williamson Act in Shasta County and the impacts to landowners enrolled in Williamson Act contracts; (2) conduct a public hearing; (3) adopt a resolution which: (a) finds that, for Fiscal Year (FY) 2022-23, the subvention payment the County received from the State of California pursuant to the Open Space Subvention Act was less than one-half of the County's actual foregone General Fund property tax revenue that resulted from Williamson Act contracts; and (b) states the Board's decision to implement Government Code section 51244(b) and Government Code section 51244.3 effective January 1, 2024; (4) direct staff to notify all Williamson Act contracted landowners of the following: (a) the final decision of the Board of Supervisors after the conclusion of the October 17, 2023, public hearing on whether to implement the AB 1265/SB 1353 provisions; and (b) the landowner's right to prevent the reduction in the term of his or her contract due to the implementation of the AB 1265/SB 1353 provisions by serving notice of non-renewal as specified by Government Code sections 51244, 51245 and Shasta County Resolution No. 2011 103; and (5) direct the County Administrative Office, Assessor Recorder, Auditor Controller, Tax Collector and Director of Resource Management to take all necessary steps to implement AB 1265/SB 1353 including but not limited to recording a notice that states the affected parcel numbers and current owner's names, making the appropriate additions to all affected properties assessed values, and modifying the FY 2024-25 tax bills to reflect the assessment changes associated with the reduced tax benefit.

DEPARTMENT:

County Administrative Office

SUPERVISORIAL DISTRICT #:

All

DEPARTMENT CONTACT:

Bryce Ritchie, Administrative Analyst, 530-225-5550

STAFF REPORT APPROVED BY:

David J. Rickert, County Executive Officer

Vote Required?

Simple Majority Vote

General Fund Impact?

General Fund Impact

RECOMMENDATION

Take the following actions: (1) Receive a presentation from the Auditor-Controller on the history of the Williamson Act in Shasta County and the impacts to landowners enrolled in Williamson Act contracts; (2) conduct a public hearing to consider implementing, pursuant to subdivision (e) of Government Code section 16142, the provisions authorized in Assembly Bill (AB) 1265 and Senate Bill (SB) 1353 and outlined in subdivision (b) of Government Code section 51244 and section 51244.3 (AB 1265/SB 1353 provisions), which will have the following impacts effective January 1, 2024: (a) reduce a landowner's Williamson Act property tax benefits, which in most instances will result in an increase in property taxes to the landowner; (b) reduce the term of a Williamson Act contract from ten years to nine years; and (c) allow increased revenues to be transferred directly into the County's General Fund; (3) adopt a resolution which: (a) finds that, for Fiscal Year (FY) 2022-23, the subvention payment the County received from the State of California pursuant to the Open Space Subvention Act was less than one-half of the County's actual foregone General

Fund property tax revenue that resulted from Williamson Act contracts; and (b) states the Board's decision to implement Government Code section 51244(b) and Government Code section 51244.3 effective January 1, 2024; (4) direct staff to notify all Williamson Act contracted landowners of the following: (a) the final decision of the Board of Supervisors after the conclusion of the October 17, 2023, public hearing on whether to implement the AB 1265/SB 1353 provisions; and (b) the landowner's right to prevent the reduction in the term of his or her contract due to the implementation of the AB 1265/SB 1353 provisions by serving notice of non-renewal as specified by Government Code sections 51244, 51245 and Shasta County Resolution No. 2011-103; and (5) direct the County Administrative Office, Assessor Recorder, Auditor Controller, Tax Collector and Director of Resource Management to take all necessary steps to implement AB 1265/SB 1353 including but not limited to recording a notice that states the affected parcel numbers and current owner's names, making the appropriate additions to all affected properties assessed values, and modifying the FY 2024-25 tax bills to reflect the assessment changes associated with the reduced tax benefit.

DISCUSSION

Assembly Bill 1265 was enacted in 2011. It allows counties to offset a portion of their loss of Williamson Act related subvention funds. The Board implemented the provisions of AB 1265 for the year 2012, which had the following impacts: (1) reduced a landowner's Williamson Act property tax benefits, which in most instances resulted in an increase in property taxes to the landowner; (2) reduced the term of a Williamson Act contract from ten years to nine years; and (3) allowed increased revenues to be transferred directly into the County's General Fund. Additionally, if a landowner wanted to prevent the reduction in the term of their Williamson Act contract with its reduced level of property tax benefits, the landowner had the option to non-renew the contract. AB 1265 provides that a county will not modify or revalue a landowner's contract unless the landowner is given at least 90 days' notice of the opportunity to prevent the modification and revaluation by serving notice of non-renewal. Pursuant to Resolution 2011-103, a landowner shall have at least 90 days' notice of their opportunity to prevent the modification and revaluation by serving timely notice of non-renewal of their Williamson Act before the contract's annual renewal date. The Board has subsequently implemented AB 1265 every year through 2023.

By its terms, AB 1265 was set to expire in 2016. However, SB 1353 removed the expiration date in 2015.

The issue now before the Board is the implementation of AB 1265 and SB 1353 for the 2024 tax year. AB 1265/SB 1353 is a program that a county can use when state subvention funding falls to less than half of the County's "actual foregone general fund property tax revenue." In such a case, AB 1265/SB 1353 enables a county to shorten its ten-year Williamson Act contracts to nine years. Landowners can "opt out" of this approach by non-renewing their Williamson Act contracts instead of accepting the shorter contract terms. For landowners who accept the shorter term, the Assessor is required to make an addition to the assessed value that reflects the shorter term. The addition is statutorily mandated (under AB 1265/SB 1353) to be 10% of the difference between; (a) the full unrestricted value of the property under Proposition 13 or the market value, whichever is lower, and (b) the restricted value of the property under the Williamson Act. As a result, for every dollar in property taxes a contracted landowner currently avoids by having their land under contract, ten cents must be paid annually to the County. None of the additional revenues generated by AB 1265/SB 1353 are to be shared with the State or other government entities.

The implementation of the AB 1265/SB 1353 provisions requires a majority vote of the Board. Its implementation will be suspended for any subsequent fiscal year in which the Williamson Act related subvention payment from the State for the previous fiscal year exceeds one-half of the foregone general fund property tax revenue that resulted from Williamson Act contracts. For FY 2022-23, Shasta County's actual foregone general fund property tax revenue from Williamson Act contracts was \$289,551. The County received no monies from the State pursuant to the Open Space Subvention Act, which is less than one-half of the County's actual foregone general fund property tax revenue. If the Board decides to implement the AB 1265/SB 1353 provisions effective January 1, 2024, that decision only applies to the 2024 tax year.

There are approximately 640 separate Assessor's Parcels in Shasta County subject to Williamson Act contracts. On September 29, 2023, landowner notices were mailed to all property owners of parcels restricted by a Williamson Act contract. The landowner list was generated from the latest version of the Assessor's data base. As required, the notification included the scheduled public hearing on October 17, 2023, at 9:00 a.m. (or as soon thereafter as may be heard) to consider adoption of the implementation of AB 1265/SB 1353 for the 2024 tax year. The public hearing notice was published in the Record Searchlight on October 3, 2023. Following this public hearing, should the Board decide to implement AB 1265/SB 1353, staff will once again mail out notifications as required, to inform landowners of the final decision and their right to file a notice of non-renewal.

Should the County choose to implement the AB 1265/SB 1353 provisions for the 2024 tax year, the landowner's options are: (1) Accept the new decreased 9-year term and associated 10% decrease in benefits; or (2) file a Notice of Non-renewal and accept the property tax consequences of escalating assessed valuation over the remaining term of the contract. Non-renewal generally places a much higher financial burden on local landowners as assessed values will gradually return to their full unrestricted Proposition 13 amounts. In contrast, AB 1265 and SB 1353 allow landowners to retain 90% of the tax benefits that the Williamson Act currently affords them. For most, if not all, landowners, accepting the 9-year term and associated decrease in benefits would be significantly less of a financial burden than serving a notice of non-renewal.

The AB 1265/SB 1353 provisions do not apply to the following: (a) contracts that have been non-renewed; (b) contracts with cities; (c) open-space or agricultural easements; (d) scenic restrictions; (e) wildlife habitat contracts; (f) atypical term contracts, including, but not limited to, 20-year initial term contracts declining to 10 years or re-encumbrances pursuant to Government Code Section 51295, if the county's board of supervisors determines the application of the AB 1265/SB 1353 provisions to them would be inequitable or administratively infeasible.

If the AB 1265/SB 1353 provisions are implemented by the Board for the 2024 tax year, the Assessor's Office will be required to make the appropriate addition to the assessed values as of January 1, 2024, and the Auditor's Office and Tax Collector will be required to modify the Fiscal Year 2024-25 tax bills to reflect the assessment changes. The Department of Resource Management and the Assessor-Recorder's Office will process all notices of non-renewal that have been received. Additionally, AB 1265/SB 1353 [Government Code Section 51244 (b)(2)] requires that in any year in which AB 1265/SB 1353 is implemented, the County shall record a notice that states the affected parcel number or numbers and current owner's names, or, alternatively, the same information for those parcels that are not affected.

ALTERNATIVES

The Board may decline to implement the AB 1265/SB 1353 provisions for the 2024 tax year. If the Board declines to implement the provisions the County will incur an estimated loss of approximately \$145,000 in discretionary property tax revenue that would have otherwise been deposited into the County's general fund.

OTHER AGENCY INVOLVEMENT

The County Administrative Office prepared the staff report and resolution. The Auditor-Controller and County Counsel have reviewed the resolution and approved it as to form.

FISCAL IMPACT

Costs associated with implementing AB 1265/SB 1353 for the 2024 tax year will be funded with General Funds. The continuance of AB1265/SB1353 is estimated to generate \$145,000 in General Fund discretionary property tax revenue recovery that can be used to fund public safety, or any other general fund need.

ATTACHMENTS:

- 1: Resolution 2011-103
- 2: AB 1265 Legislation
- 3: SB 1353 Legislation
- 4: Draft 2024 Implementation Resolution