

**Guide to Implementing the Urban Agricultural Incentive Zones Act**  
*New California law makes it easier for cities and counties to foster urban agriculture*  
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**The Benefits of Urban Agriculture to a City and County**

Urban agriculture provides numerous benefits not only to those growing food, but also to the cities and counties in which it happens. City gardening and farming offers public benefits such as vibrant green spaces and recreation, education about fresh food and the effort it takes to produce it, ecological benefits for the city, sites that help build community, and a potential source of modest economic development.<sup>1</sup>

**New Law: AB 551 (Ting) – Urban Agriculture Incentive Zones Act**

AB551<sup>2</sup> aims to increase the use of privately owned, vacant land for urban agriculture and improve land security for urban agriculture projects.

1. The legislation does this by allowing city governments, with approval from their county board of supervisors, to designate areas within their boundaries as “urban agriculture incentive zones” (UAIZ).
2. For landowners in a UAIZ, leasing land for urban agriculture for a minimum of five years can potentially help them lower their property tax assessment, creating an incentive to lease land to individuals and groups who will use it for farming or gardening.

**Urban Agriculture Incentive Zone Definition**

The state legislation defines agricultural use for purposes of an Urban Agriculture Incentive Zone as:

[F]arming in all its branches including, but not limited to, the cultivation and tillage of the soil, the production, cultivation, growing, and harvesting of any agricultural or horticultural products, the raising of livestock, bees, fur-bearing animals, dairy-producing animals, and poultry, agricultural education, the sale of produce through field retail stands or farms stands as defined by Article 5 (commencing with Section 47030) of Chapter 10.5 of Division 17 of the Food and Agricultural Code, and any practices performed by a farmer or on a farm as an incident to or in conjunction with farming operations. For purposes of this chapter, the term “agricultural use” does not include timber production.

**Where Urban Agriculture Incentive Zones are Permitted**

The state legislation permits urban agriculture incentive zones to only be established in “urban areas,” as defined by the US Census, with populations of 250,000 or more.<sup>3</sup> This definition encompasses most of the major cities of California as well as their adjacent suburbs. See Appendix A for the list of qualifying urban areas based on the 2010 census and links to the maps delineating their boundaries. Cities and counties are not allowed to create urban agriculture incentive zones in areas that fall outside of the boundaries of these “urban areas”.

<sup>1</sup> For an examination of the benefits with the City of San Francisco as a case study, see: SPUR, *Public Harvest*, April 2012, 5-8, <http://www.spur.org/publications/library/report/public-harvest>.

<sup>2</sup> The full text of the law is available at: [http://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201320140AB551](http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB551).

<sup>3</sup> More information about the US Census definition of urban areas is available at: [www.census.gov/geo/reference/ua/urban-rural-2010.html](http://www.census.gov/geo/reference/ua/urban-rural-2010.html).

Additionally, cities and counties may not establish a UAIZ in any area that has been covered by a Williamson Act contract within the preceding three years.<sup>4</sup>

### **Parcel Eligibility**

Within any given Urban Agriculture Incentive Zone (UAIZ), parcels are only eligible for UAIZ contracts if they are:

- At least 0.1 acre in size and no larger than 3 acres (between 4,356 and 130,680 square feet)
- Completely dedicated toward commercial or noncommercial agricultural use
- Free of any dwellings and only have physical structures that support the agricultural use of the site
- Have an initial term of at least five years

It's important to note that the establishment of a UAIZ does not change anything in existing local zoning codes regarding where urban agriculture is and is not permitted.

### **How to Create an Urban Agriculture Incentive Zone**

To create an Urban Agriculture Incentive Zone, a county, usually in conjunction with a city, must designate the geographic boundaries of the zone. Local jurisdictions can create one large zone covering a broad geography or they can create multiple smaller ones. Additionally, the local jurisdictions must create the administrative process for how to process and enforce UAIZ contracts between the landowners and the local government.

#### **Within city boundaries:**

Inside incorporated areas of California, a UAIZ is created by a two-step process, requiring action by both the city and county governments (San Francisco, which is the only combined city and county in California, is the one exception to this rule). 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 signifying the relevant city council's approval.

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

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

***In unincorporated areas, the creation of UAIZ only requires the passage of an ordinance by the Board of Supervisors.***

In addition to designating the physical boundaries of a UAIZ, the initial implementing legislation should also establish a process by which landowners can apply to put their land under contract. This administrative process of establishing a contract is determined by local ordinance. Given the purview of the law, creation will likely involve coordination with the office of the County Assessor, the State Board of Equalization and local planning department (city and/or county) and possibly also the County Agricultural Commissioner. As of writing, no local jurisdiction in California has yet established a UAIZ so there is no precedent for the administrative process.

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<sup>4</sup> Williamson Act contracts provide a tax incentive to preserve agricultural land. More information at: <http://conservation.ca.gov/dlrp/LCA/Pages/Index.aspx>. For a list of areas covered by the Williamson Act, contact your county assessor's office.

The legislation also gives local jurisdictions the ability to impose fees to cover the costs of implementing and administering the contracts.

### **Change in Property Tax Assessment**

Each year the assessment basis for land under an Urban Agriculture Incentive Zone (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 Board of Equalization's website and communicated to Assessors by January 1.

In 2014, this is \$12,500 per acre<sup>5</sup>. 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 lower of these two values

- 1) the urban ag incentive zone assessment based on the per acre rate (described in the preceding paragraph)
- 2) the property tax assessment as normally assessed under existing law

In short, entering into a UAIZ contract can lower a landowner's property tax assessment, but not raise it.

The Assessor will perform their 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. For example, a property with a contract signed and recorded after January 1, 2014 and delivered to the Assessor on April 1, 2014 would not be processed by the Assessor until after July 1, 2014 for the following lien year. The first year of the tax benefit would be in the tax bill received in the fall of 2015. 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, the state law requires that they pay back 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."

### **Sunset Clause**

Unless the law is amended by the state legislature, no UAIZ contracts can be signed after January 1, 2019.

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<sup>5</sup> California State Board of Equalization, <http://www.boe.ca.gov/proptaxes/uaincentivezone.htm>.

## Appendix A: US Census Urban Areas in California with More than 250,000 People

Many of these Census-defined “urban areas” boundaries include suburbs beyond and/or between the cities listed in the name. To see the exact boundary of the urban area, download the map from the US Census at: <http://www.census.gov/geo/maps-data/maps/2010ua.html>

US Census Urban Area Name	Population (2010)
Los Angeles--Long Beach--Anaheim, CA	12,150,996
San Francisco--Oakland, CA	3,281,212
San Diego, CA	2,956,746
Riverside--San Bernardino, CA	1,932,666
Sacramento, CA	1,723,634
San Jose, CA	1,664,496
Fresno, CA	654,628
Concord, CA	615,968
Mission Viejo--Lake Forest--San Clemente, CA	583,681
Bakersfield, CA	523,994
Murrieta--Temecula--Menifee, CA	441,546
Stockton, CA	370,583
Oxnard, CA	367,260
Modesto, CA	358,172
Indio--Cathedral City, CA	345,580
Lancaster--Palmdale, CA	341,219
Victorville--Hesperia, CA	328,454
Santa Rosa, CA	308,231
Antioch, CA	277,634
Santa Clarita, CA	258,653

Source: US Census, Spreadsheet/Table, “A National, State-Sorted List of All 2010 Urbanized Areas and Urban Clusters for The U.S., Puerto Rico, and Island Areas First Sorted by State FIPS Code, Then Sorted By UACE Code,” accessible at: <http://www.census.gov/geo/reference/ua/urban-rural-2010.html>

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