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TOWARD LAND USE STABILITY THROUGH CONTRACTS*

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The "new" competition for land in the West was recently discussed by Professor Ciriacy-Wantrup in this *Journal.*[1] In that discussion, emphasis was placed on the possible role of conservation easements to divert urban-industrial development from prime irrigable land. The California Land Conservation Act of 1965 presents another possibility for securing greater economic stability—at least in the short run—for agricultural land uses faced with competition from the urban complex.[2]

Many previous attempts have been made, both in the United States and abroad, to cope with the problems inherent in the competition for agricultural land by non-agricultural users. The use of preferential taxation, exclusive agricultural zones, scenic easements, and the like has not been overly successful in land use control. Absolute limitations on prime agricultural land have served as the basic concern stimulating a continued search for more effective forms of social control over land use. This article presents a brief review of previous experience with land use control devices, a summary statement of the basic features of the California Land Conservation Act, and a discussion of some of the possible implications of this program for non-prime agricultural land and its effect on the local revenue and tax structure.

I

ATTEMPTS TO COPE WITH URBAN EXPANSION INTO AGRICULTURE[3]

Several states, including California, have attempted to combat the problem of urban expansion into agricultural lands by legisla-

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1. S. V. Ciriacy-Wantrup, *The "New" Competition for Land and Some Implications for Public Policy.* 4 Natural Resources J. 252 (1964).

2. Cal. Gov't Code §§ 51200-295.

3. See generally Comment, *Open Space: Its Value and Conservation in the Urban Environment,* 37 So. Cal. L. Rev. 304 (1964); W. H. Geyer & P. Hanauer, Preserving Agricultural Land in Areas of Urban Growth: A Look at the Record (Interim

tion. In California, two relevant statutes are section 35009 of the California Government Code and section 402.5 of the California Revenue and Tax Code. The former provides that land zoned for agriculture is exempt from annexation to a city without the owner's consent. Modified in 1965, these general provisions now apply to all counties in California upon the adoption of master plans and the concomitant zoning of land for exclusive agricultural use.

Section 402.5 provides that in assessing land zoned for agriculture, the assessor shall take into consideration only those factors relating to its value as agricultural land. While designed to prevent assessment of farmland at subdivision values, the State Attorney General has said that this provision was merely a restatement of the existing law in California, which under the constitution requires an ad valorem assessment of all land.[4] Thus, the assessor could still use his own judgment regarding the value of the land; under the terms of the statute the assessment at agricultural value can be made only if there is no reasonable probability of removal or modification of the zoning restriction within the near future.[5]

Several other states have adopted laws to give preferential assessment to agricultural land. In 1963, the Florida Legislature reenacted a law providing that "all land being used for agricultural purposes shall be assessed as agricultural lands upon an acreage basis, regardless of the fact that any or all of said lands are embraced in a plat of a subdivision or other real estate development."[6] This law applies only to land, that previous to its effective date, was used for agriculture. A companion law permits the boards of county assessors to zone agricultural land exclusively for agricultural purposes as a criterion for preferential assessment.[7] The law also provides that in order for land to be zoned exclusively for agriculture, it must have been used exclusively for agricultural purposes for five years previous to the zoning. In assessing such land only the following use factors shall be considered:

> The cost of the property as agricultural land, the present replacement value of improvements thereon, quantity and size of the prop-

Comm. on Agriculture, Cal. Legislature 1964), J. Dukeminier, Jr., *Land Planning and the Law: Emerging Policies and Techniques*, 12 U.C.L.A. L. Rev. 707 (1965).

Most of the original legal citations in this section are contained in P. House, State Action Relating to Farmland on the Rural-Urban Fringe (ERS-13, U.S. Dep't of Agriculture 1961).

4. 30 Ops. Cal. Att'y Gen. 246 (1959).
5. Cal. Rev. & Tax. Code § 402.5.
6. Fla. Stat. Ann. § 193.11 (Supp. 1964).
7. Fla. Stat. Ann. § 193.201 (Supp. 1964).

> erty, the condition of said property, the present cash value of said property as agricultural land, the location of said property, the character of the area or place in which property is located and such other agricultural factors as may from time to time become applicable.[8]

New Jersey has recently passed major legislation protecting the tax status of agricultural lands.[9]

In Maryland, following a declaration by the Maryland Court of Appeals that a law similar to the one in Florida was unconstitutional,[10] an amendment to the Maryland constitution was ratified by the legislature and voters. This amendment states that, "The Legislature may provide that land actively devoted to farm or agricultural use shall be assessed on the basis of such use and shall not be assessed as subdivided."[11] A preferential assessment law was also passed which included a section stating that it is in the general public interest to promote farming, to preserve open spaces, and to prevent conversion of forest land by economic pressures.[12]

An Oregon law passed in 1961 provides that farmland zoned exclusively for farm use by cities and counties shall be assessed at its true cash value for farm uses and not at the true cash value it would have if applied to other than farm uses.[13] In 1961, Nevada passed a preferential assessment law differing from the other states in that it includes a provision for payment of taxes on the basis of an assessment without preferential treatment for the previous five years whenever the land is sold or its use changed.[14] This law is similar to one proposed as a constitutional amendment in California in 1962, but which was defeated by the voters in the general election.[15] The proposed California law might have provided some relief to the farmers, but it was generally criticized on the grounds that it would have caused even more land speculation and leapfrogging of subdivisions than already existed.

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8. *Ibid.*

9. N.J. Stat. Ann. §§ 54:4-23.1 to -23.23 (Supp. 1965) contain the Farmland Assessment Act of 1964. Section 54:4-23.2 provides:

> For general property tax purposes, the value of land, not less than 5 acres in area, which is actively devoted to agricultural or horticultural use and which has been so devoted for at least the 2 successive years . . . shall . . . be that value which such land has for agricultural or horticultural use.

10. State Tax Comm'n v. Wakefield, 222 Md. 543, 161 A.2d 676 (1960).

11. Md. Const. art. 43.

12. Md. Ann. Code art. 81, § 15 (1957).

13. Ore. Rev. Stat. § 308.239 (1965).

14. Nev. Laws 1961, ch. 300, at 487. Repealed 1965.

15. Cal. Laws 1961, ch. 254.

In most other states adopting rural zoning, exclusive agricultural districts have not been established. Only in California to a great extent (some twenty-five to thirty counties now have exclusive agricultural zoning), and in Pennsylvania to a lesser extent, have such districts been created. The basic weakness of rural zoning is that the ordinances generally deal with agriculture in a negative way:

> As a result many farmers have been hesitant to accept zoning because of a feeling that it might unduly restrict farming operations. Possibly the fault has been in treating the agricultural zone as a type of residential district instead of zoning in a positive way—as is the case with commercial and industrial zones.[16]

When compared to United States land tenure traditions, a more restrictive program than either zoning or preferential assessment is currently in operation in England and Scotland.[17] A system of greenbelts has been established around the cities of London, Birmingham, Oxford, and Cambridge whereby tracts of open land entirely surrounding the cities have been set aside from urban use. The effect is to constrict the outward growth of the cities, to limit the population of the cities, and to provide open areas for farming, recreation, and scenery.

One criticism of the greenbelt plan is that some of the land within the restricted area may be worthless for either farming or recreation and, thus, may lie idle. In England, such land is not taxed, but this would be small consolation to the owner not able to put his land to any use. In Scotland, greenbelt land must have some positive agricultural or recreational value.

Acquisition of conservation easements is advocated by many as another approach to the problem of urban expansion. William H. Whyte has suggested that the agricultural zoning and tax laws now in effect in California and other states are both inadequate and unfair.[18] Continuity of agricultural land use is not assured; farmers are free to take property out of an agricultural zone with a minimum of difficulty. Furthermore, zoning does not insure low assessed valuation of farmland. Measures such as preferential assessment do not meet the existing problem head on and are only of a temporary value. Whyte considers such laws unfair from two stand-

16. F. W. Goodwin, Provisions of Agricultural Zones in Eight New Jersey Municipalities (1957).

17. D. R. Mandelker, Greenbelts and Urban Growth 25 (Univ. of Wis. 1962).

18. W. H. Whyte, Securing Open Space for Urban America: Conservation Easements (Urban Land Institute, Tech. Bull. No. 36, 1959).

points. First, since the securing of open spaces is a benefit to the public, the powers of eminent domain rather than zoning powers should be exercised and the farmers compensated for the potential loss in market value of their land. This could be accomplished by having the government purchase the development rights. Second, zoning laws tend to be unfair to the public since they may permit unwarranted windfall gains at the time of sale for land use conversion. The more recent proposals of Professor Ciriacy-Wantrup emphasize the possible use of conservation easements to conserve large contiguous blocks of prime irrigable land for agriculture.[19]

In 1959, California adopted legislation permitting the acquisition of land for conservation easements. Section 6950 of the Government Code provides:

> It is the intent of the Legislature in enacting this chapter to provide a means whereby any county or city may acquire, by purchase, gift, grant, bequest, device, lease or otherwise and through the expenditure of public funds, the fee or any lesser interest or right in real property in order to preserve through limitation of their future use, open spaces and areas for public use and enjoyment.

Only a few insignificant acquisitions have been effected under the provisions of this legislation. The primary reason given for failure of this legislation to be effective is the absence of compensation to the property owner and the absence of funds and a source of financing to the county or city whereby they may acquire the interest in property.

Although California has been in the active forefront in land use control legislation, additional legislation was needed to ensure protection of the state's valuable and limited agricultural resources. While it is not imperative for new urban land use to occupy the best farmland, it is imperative that the best farmland be reserved for agriculture so long as other economic pressures will encourage such use. There is little or no point to farming on second-rate soil. If the lands should not be reserved forever to agriculture, at least the economic climate in which agriculture operates should be made as favorable as possible so that more stability and certainty can be interjected into the economy of agricultural production of rapidly urbanizing areas. It should be remembered, however, that any program designed to provide stability for agricultural production must be of benefit to the general public as well as to the farmer.

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19. Ciriacy-Wantrup, *supra* note 1.

II

INTENT AND BASIC FEATURES OF THE PROGRAM[20]

The California Land Conservation Act of 1965 recognizes several important features of California agriculture: (1) an absolute limited acreage of prime agricultural land in California; (2) the economic costs associated with loss of established agricultural production and the development of new agricultural production; (3) the economic and social costs of premature land conversions; (4) the economic and social costs of disorderly conversions, and (5) the desirability of maintaining the existing land tenure structure.

The new legislation is consistent with current needs and attitudes toward social control over land use. It will provide for: (1) the use of a voluntary contract between the landowner and local government to encourage stability in agricultural land use; (2) the coordination of existing land use planning and zoning activities; (3) the development of non-prime land for non-agricultural use in advance of the development of prime agricultural land; (4) state participation but essentially local control and administration, and (5) compensation schedules that encourage participation but are relatively neutral regarding potential escalation of either land values or land taxes.

The voluntary contracts regulating non-agricultural development rights are the heart of the legislation. A contract calls for a minimum ten-year period during which time the property owner surrenders his non-agricultural development rights, and the local government (presumably the county) acquires those rights in the nature of a trusteeship. The State Director of Agriculture provides general supervision and approval of locally initiated programs.

Land involved in these contracts must meet several qualifications: (1) it must currently produce an agricultural commodity for commercial purposes; (2) it must be located within an area reserved for agricultural and compatible uses (defined as an agricultural preserve) created by local government after the need for such a preserve has been established by local property owners and local government, and (3) it must be prime agricultural land.

Two types of arrangements specifying restrictions on land use are permissible. The first is described as a compensable contract, and

20. The basic features of the program are discussed at length in J. H. Snyder, *A New Program for Agricultural Land Use Stabilization—The California Land Conservation Act of 1965*, 42 Land Econ. 29 (1966).

the second as a non-compensable agreement. The compensable contract is the basic device designed to encourage stabilization of agricultural land of highest productivity. The non-compensable agreement applies to land devoted to less intensive agricultural production—characterized by lower gross income, for example—and provides for greater flexibility in negotiation of terms. Depending upon the degree of restrictions built into the agreement by the parties, land use and land values would tend to maintain stability. Thus, a more favorable economic environment for agricultural land use is possible for any agricultural land in California, depending only upon the desires of local property owners and local government for flexibility or security of land use, land values, and land taxes.

A. Basic Contract

The basic contract will prevent non-agricultural use of land for definite periods of time (ten-year minimum), provide for transfer of contract obligations between successive owners or successive local governments, include automatic annual renewal to provide a moving ten-year contract unless designated action is taken by either party to the contract, and provide public notice of the nature and extent of contracting in those areas where contracts are executed. A contract may be cancelled prior to natural expiration only if the public interest justifies such cancellation. Penalities for prior cancellation are provided so that unwarranted benefits would not accrue to the property owner.

Prime agricultural land is defined as Class I or II, according to Soil Conservation Service land use capability criteria. As defined, it reflects the shortage (less than 7.5 million acres) of this limited agricultural resource in California. However, the new law provides an alternative definition of prime agricultural land to cover some of California's specialized agricultural crops which are produced on land that may not meet Class I or II Soil Conservation Service standards. A gross income of 200 dollars per acre per year for any three of the previous five years is required if land for such specialized crops is to qualify under the alternative criterion.

The designation of agricultural preserves in a county is essential to implement the legislation and to help local government plan for future land use developments. In countries that have already adopted exclusive agricultural zoning ordinances and created exclusive agricultural zones, such preserves might be the same as agricultural use zones already established. In general, however, experience with agricultural zoning has indicated that zoning alone will not provide

the stability necessary for the best and most forward-looking decisions on land use.

B. Compensation Features

Both the local government and the property owners who enter contracts receive compensation according to the new law. The local government will receive a subvention from the state government of one dollar per acre per year for land under contract to pay for administrative and overhead costs of supervising the program. It is intended, at the outset, that the property owner receive only indirect compensation.[21] Since the presence of contracts limiting land use for at least a ten-year period is evidence that agriculture represents the highest and best use of the land, both land values and land tax assessment will tend to stabilize during the basic period of the contract.

Should the assessed valuations of land under contract undergo change during the lifetime of the contract, a direct compensation to the property owner should further stabilize economic environment. It is in the best interests of both the county and the property owner that assessed valuations not change during the lifetime of the basic contract. An increase in assessed valuation would provide a payment to the farmer at a rate of five cents per one dollar increase in assessed valuation that would only partially offset increased property taxes.[22] This compensation, to be paid by the county, would cost the county more than would be received from increased taxes paid by the farmer because of the difference between the basic tax rate received by the county and the total tax rate paid by the farmer in California counties.

The compensation schedule (1) will not be conducive to a preferential rollback in property taxes; (2) will not encourage escalation of either land assessment or land taxes, and (3) will be no burden on local government so long as stable land values and assessments are maintained. Furthermore, state, rather than local government is responsible for initial compensation.

The basic contract for the ten-year period is renewed automatically each year—providing a moving ten-year contract—unless the property owner or local government does not wish to renew. If a contract is not renewed on the appropriate date, there will remain

21. As a condition to entering the contract, local government may require the property owner to waive direct compensation at the level of assessed property values existent at the time of the initial contracting.

22. This rate and level of compensation would apply only to the *increase* in assessed valuation.

a lifetime of nine years from the required date of renewal. During this time any compensation payments to the property owner are gradually reduced by ten per cent per year during the remaining lifetime of the contract. Also, during that time, the non-renewal provides notice to the prospective land developers and the local tax assessment authorities that a change in land use is being contemplated and establishes the time when such change may occur. Since land values may increase rapidly during the declining lifetime of the contract, competition for purchase of the land may become intense. Taxes paid on the land may be expected to rise and the compensation paid to property owners according to the contract may be expected to decrease. Thus, the legislation does not provide for or protect unwarranted windfall gains that might otherwise accrue to the property owner at the time of land use conversions.

C. Eminent Domain

The legislation also contains certain features that make it difficult to acquire land under contract by eminent domain. The intent of the legislation is to maintain agricultural land use for land under contract and in preserves so long as the public interest justifies such action. Condemnation acquisitions will be directed toward non-contract and non-preserve land wherever possible on the basis of concurrent determination of land use in the best public interest by the courts, local government, property owners, and the director of agriculture.

Sufficient checks and balances are provided by the legislation to reinforce the state's expressed intent and policy that the agricultural use of land under contract constitutes the highest and best use of that land. Local government and local property owners, however, will have the dominant role in determining the operation and effectiveness of this program.[23]

D. Non-Prime Agricultural Land Relationships

All land in California used for agricultural purposes not meeting the defined requirements for prime land is, by inference, defined as non-prime agricultural land. The drafters of this legislation purposefully made this particular land capability distinction; prime land is a more limited and precious natural resource. There are less than 7.5 million acres of Class I and II land in California. This land

23. To help insure relatively strong local control and preservation of local public interest, local government may appoint an advisory board to assist in formulation of policy, supervision of the program, and related planning activities.

is most responsive to intensive farming and is capable of producing a wide variety of specialty crops. It cannot be readily replaced anywhere in the country. Its agricultural use should be stabilized because many of the crops produced from such land are not likely to be domestically produced in sufficient quantities to satisfy rapidly increasing consumer demand. Furthermore, whenever the use of public funds is involved, a genuine public need must be demonstrated. Preserving prime land for continued agricultural production can be justified in the interest of the public with more logic than is the case with non-prime land.

There is no question that land must be available for continued urban development. At present, government ownership of land in California approximates one-half of the state's area—approximately 49 million acres.[24] Agricultural use of land of all types occupies approximately another 36 million acres.[25] If all these agricultural areas were left equally protected from urban development, only about one-eighth of the land in California would be available for urbanization. Most of the remaining land is desert or mountain land unsuitable for any economic development. It is clear that most urban development must come on agricultural land. The need to prevent premature development and to protect the best land for agricultural use as long as economically feasible is a basic necessity.

Regardless of what is done by the legislature, urban demands for land will continue and must be met. The California Land Conservation Act is an enabling tool that can assist local governments in better long-range planning and in arriving at a balance between urban growth and agricultural productivity, both of which are essential to a healthy economy. The agricultural land use distinction recognized in the California Land Conservation Act does not necessarily deemphasize non-prime agricultural land. It does, however, recognize that prime agricultural land is a more limited and irreplaceable natural resource than other categories of agricultural land.

E. General Benefits for Non-Prime Land

Any program involving or affecting land use planning will of necessity involve and affect all land. The act offers the opportunity for significant benefits to owners of non-prime agricultural land as

24. Cal. Senate Permanent Comm. on Natural Resources, Public Land Ownership and Use in California (Third Progress Report to the Legislature 1965).

25. P. S. Parsons & C. O. McCorkle, Jr., A Statistical Picture of California's Agriculture (CAES Circ. No. 459, rev. 1963).

well as to owners of prime land for whom contract terms are not appropriate. Whether its effect on non-prime land is beneficial or adverse will depend upon the interest and willingness of landowners to understand the legislation and work with surrounding landowners and local government in developing the best possible long-range land use plan.

This program provides for the inclusion of non-prime agricultural land within agricultural preserves and even authorizes the establishment of such preserves which contain no prime agricultural land. The only prerequisite in either case is that such non-prime agricultural land be restricted to agricultural and compatible uses.[26] Thus, by having their land included in an agricultural preserve, non-prime landowners agree to land use restrictions that will encourage the assessor to assess on the basis of agricultural use values.

Non-prime land not included in an agricultural preserve with its attendant restrictions may be adversely affected by local adoption and implementation of the provisions of this program. This will be particularly true at the margins of urbanization and in those areas where considerable land is placed under the provisions of the act. One of the prime objectives of the bill is to clearly determine landowners' desires and commitments with respect to the future use of their land. This intent will be measured by their willingness to enter into preserves and restrictive agreements or contracts. It is logical to assume that where landowners are unwilling to accept the required restrictions, land assessments will reflect ad valorem speculative values. For this reason it is incumbent upon those who desire to continue farming or ranching to make every effort to work with adjacent landowners and local governments in creating agricultural preserves that include their lands.

F. Possible and Probable Benefits to Range Land Use

This program is a voluntary program that depends upon local acceptance for its adoption and implementation. The California Land Conservation Act of 1965 is nothing more than enabling legislation specifying a proposal which it is believed will create a more favorable and more stable economic environment for California agriculture.

Certain aspects of this program are of particular interest to extensive land users such as the California cattle industry. The de-

26. The definition or specification of compatible uses has been left open for local determination.

velopment of preserves and a consummation of non-compensatory agreements in range areas of California will, it is believed, result in several major benefits to the California livestock industry: (1) dedication of land to limited and specific use for a specified period of years; (2) stabilization of agricultural values and assessed values for the period of agreement; (3) dedication of large areas of land to open space and watershed use, and (4) a more favorable economic environment for capital investment in long-run land improvement.

The dedication of land to the limited and specific use of range animal production for a period of years is probably the most important single benefit that can be secured from implementation of this act. Stability of use will make it possible for owners to plan with more certainty than is currently possible in land use and development-investment programs. By entering into agreements, particular notice is given to the tax assessor that the landowner has entered into long-run commitments concerning the dedication of his land use. Furthermore, until steps are taken to avoid renewal, it is anticipated that these agreements will preclude any significant influence of speculative concern over non-agricultural use at some indefinite time in the distant future. At whatever point in time an agreement is not renewed, the timing of probable land use conversions becomes more definite; the assessor can, and undoubtedly will, begin to take cognizance of speculative influence, timing of land use conversions, rates of absorption, and other factors that currently influence assessment practices. By designing the compensation features of this legislation so that any change in assessed valuation works to the mutual disadvantage of the county government and the property owner, it is anticipated that assessed values, and, to a similar but perhaps lesser degree, property taxes, will remain relatively stable during the time that contracts are in full force. A similar, and potentially as beneficial, effect is anticipated from the use of agreements. It is the hope and the intent of this legislation to provide greater certainty and security to the agricultural economy of California by providing the necessary conditions of consent and timing—*consent* to restrictions on land use for a *specified period of time.*

Dedication of large areas of upland to the extensive use of cattle and range production will not only provide for greater benefits to the producers themselves, but will also result in extended benefits to California by providing extensive open space and watershed land. Much of the future prosperity of California depends upon an assured long-run supply of water for all uses and users. Most of the

water to be used by urban populations and manufacturing uses will be supplied in the future by the surplus water of the northern uplands of California. Retention of land in extensive use will continue the natural water production potential of the state and assure a continued supply of high quality water. The availability of extensive areas of open space will provide for increased recreation potential as well as a better economic environment for continued production of high quality range forage production.

III

REVENUE AND COSTS

A. Property Assessment and Taxation Considerations

In considering the probable impact and potential benefits of the California Land Conservation Act of 1965, it is important to remember the companion legislation, section 402.6 of the Revenue and Tax Code, also passed at the 1965 Legislative Session. This legislation provides:

> In assessing property which is located within an agricultural preserve where the use is restricted by a contract, agreement or other means pursuant to [the California Land Conservation Act of 1965] the assessor shall consider no factors other than the uses permitted under such restrictions when there is no reasonable probability of the removal or modification of the restrictions within the near future.[27]

The creation of preserves will have a beneficial and stabilizing effect on assessed values of agricultural land within preserves. This will be further strengthened by the use of contracts and agreements that specifically restrict use alternatives for defined periods of time.

Many counties in California do not have large areas of prime agricultural land. Although this legislation is designed to be of greatest benefit to prime agricultural land, the intent and design of the legislation is to provide stabilizing benefits to the entire agricultural economy of the state, so that better planning for, and use of, its natural resources may be accomplished. It is believed that the legislation is properly structured to provide for beneficial assessment and property tax considerations for owners of prime as well as nonprime agricultural land.

27. Cal. Rev. & Tax. Code § 402.6.

B. Local Revenue and Taxation Considerations

Local adoption of this program will focus a bright spotlight on the land use patterns, land use planning, and land assessment and taxation in a county. Land that is subject to contract or agreement will be effectively protected from the unfortunate and unavoidable consequences of urban growth in a community. Land that is not subject to contract or agreement will also receive its share of the spotlight's illuminating beam because this is the land available for improvement or conversion to a different type of land use. The program is designed to be resource oriented and all land resources in a county are likely to be affected to some degree.

The probable impact on local revenue and taxation in the adoption of this program would include several items: (1) improvement of the stability of the economic environment for agriculture in a county by stabilizing agricultural land assessments; (2) improvement in the effectiveness of land use planning in that county; (3) reduction in the rates of growth of public service and revenue requirements in the outlying areas of the county, and (4) greater recognition that the local government units have an obligation to the taxpayers to develop the most efficient and effective growth plans possible for a county.

Adoption of the features of this program will not result in the permanent preservation of museum pieces of agriculture. It will facilitate an adaptive and progressive development of California's agricultural economy. It is designed to lessen the unfortunate consequences of premature subdivisions or premature conversion to other land use patterns in rural areas. The sale of land for nonagricultural use has an errosive effect on adjacent land. This is without regard, for the most part, as to whether the adjacent land is in demand at an equal price for transfer from agricultural to nonagricultural use. The fact that adjacent land has been converted at a high value has been sufficient under the law to justify increased assessed valuation on adjacent property. The creation of preserves and use of contracts and agreements to stabilize land use in large areas would permit the benefits of extended and long-run stabilized land use within the entire area to return to all landowners within the area. Land already adjacent to urban influence and urban transitions will continue to be converted from agricultural to urban use, but future conversions will be on a more orderly basis. Land in the more remote areas, because of its favorable productivity or other reasons conducive to the production of high values and specialized

agricultural commodities, can remain in agricultural use, secure and assured that until total economic and social considerations justify conversions, there will be no conversion nor threat of conversion from agricultural to non-agricultural uses. Consequently, that part of the economic environment that currently generates unstable pressures—specifically, increased assessed valuations and land tax loads—will no longer dictate premature land use conversion decisions.

C. Improved Planning Provides Reduced Revenue Requirements

The adoption of this program implicitly calls for effective and definite local land use planning. County planning units must begin to specify the general nature of long-range land use patterns desired and anticipated under conditions of economic growth in the county. This will be necessary in order to specify the land preserves called for in the legislation. Those counties that have already had some degree of success in the use of agricultural zoning can easily convert these agricultural zones to agricultural preserves consistent with the intent of the legislation. The legislation, however, will now put teeth into the local land use planning activities. Whereas formerly land in exclusive zones could be converted practically overnight to a non-agricultural use given appropriate rulings by local authorities, this instant conversion will no longer be possible under programs developed by implementation of the California Land Conservation Act.

Stability of land use should in itself have a cost-reducing effect and impact in the local economy by reducing sales in preserve areas. It will not be necessary for assessors to continually check and recheck sales in agricultural preserve areas. It is anticipated that some sales will continue to take place in agricultural areas but, because these sales are subject to the provisions of the contracts or agreements and the preserve in which it is located, the use to which the property can be put, that is, agricultural, dominates the sale condition and removes it from general concern about speculative future use possibilities.

Another cost-reducing benefit envisaged for local communities is in terms of the reduced rates of growth of public service or revenue requirements in agricultural preserve areas. The inability of subdivision or other urban influence to develop on a leapfrog or scattered basis will reduce the need for financing and providing for public services in areas removed from population concentrations. This reduction in service requirement will probably call for lesser revenue

requirements from areas restricted to agricultural use, thus improving general county fiscal obligations. These wide open agricultural spaces can remain relatively secure in their land use and relatively stable in terms of the public services desired and needed. One of the major causes of increased cost for providing public service has been associated with non-contiguous growth characteristics in urban communities. This would not be a factor in agricultural preserve areas.

A general benefit foreseen for local county areas as a result of adopting this program revolves around the obligation of local government to develop efficient growth plans for the county. For many California counties, agriculture still remains the primary income producer with any degree of stability for the economy. It seems likely that local governments will take into increased account the contribution that agriculture makes to the local community. The provision of a stabilized economic environment that will make it possible for agriculture to play this role more effectively through time is seen as one of the major beneficial consequences to the total well-being of the community. The provision, then, of this favorable economic environment and the need for development of efficient growth plans for counties should have the combined beneficial effect of stabilizing the economic environment of the county and reducing the need for revenue for the provision of county services.

Adoption and implementation of the program should not bring forth any increased cost to the local county. For every acre of land in the county that goes under contract, the state will pay to the county one dollar per acre per year. This is designed to cover the administrative and organization overhead associated with adoption and implementation of the program. It is deemed in the best public interest of the state to provide this service because of limited prime agricultural land in the state and the importance of a healthy agricultural economy to the state. Thus, the cost of meeting this state-wide obligation is not a part of the county obligation.

It is only during the declining years of a non-renewed contract that the county would actually have to make significant expenditures to property owners. It is also a feature of this legislation that the rate of compensation declines steadily and it is anticipated that the level of assessed valuation will increase rapidly during this time period. Thus, according to best estimates and consistent with the intent of the legislation, it is most likely that the county will receive a greater return from land under contract during the declining years of the contract than it will be called on to pay. The fact that

a contract is not renewed becomes public knowledge; the land is available for speculative purchase reflecting the timing of the probable transfer of use. The values that are appropriate to and associated with such time orientation will become reflected in the sale value of the land. During this time it is anticipated that the returns to the county from this land would be greater than any payment that would have to be made to the property owner. The legislation is designed to avoid unwarranted windfall gains to property owners and avoid increased expense to local governments.

CONCLUSION

The framers of this legislation have been long aware of the unfavorable consequences of urbanization upon California agriculture. Much of this unwanted influence can be traced to the uncertainties of future land use conversions. By structuring a program that allows a greater degree of certainty concerning land use transitions from rural to urban use, a program has been devised that permits the farmer to plan for current and future use with greater certainty. The program was not designed to protect and preserve museum pieces of agriculture in California; it has been designed to permit the farmer and the rancher to engage in productive and financially rewarding agricultural production without being forced to convert land use prematurely.

The use of voluntary contracts regulating non-agricultural development rights is the heart of the California Land Conservation Act of 1965. Designed to answer some of the criticism of previous land control devices, the new law should help solve some of the serious problems of population growth and urbanization facing California. The legislation specifies a minimum ten-year period during which the property owner surrenders his non-agricultural development rights; and the local government (presumably the county) holds these rights in the nature of a trusteeship during the lifetime of the contract. The local government will receive a state subvention, and the property owners who enter into contracts may receive compensation from the local government, but more importantly, will receive stabilized assessed values on their land.

The final effectiveness of this legislation depends upon its adoption by the farmers and ranchers of California. It is enabling legislation only. Contracts and agreements are strictly voluntary, not mandatory. Farmers and ranchers who desire to continue farming and ranching will be enabled to do so for as long as they desire.

Rural property owners who desire to speculate in the California land market are free to do so; they are not obliged to enter into contracts or agreements. In the long-run, for much of California agriculture in the interior and coastal valleys, considerable acreage will be converted from agricultural to non-agricultural use. For that matter, there will also be considerable conversions in the upland and foothills of the state in the long-run. But in the short-run—during that period when decisions are made and resources committed—use of the California Land Conservation Act of 1965 will provide a more favorable environment for California agriculture.

Not all of the land use problems of California farmers and ranchers will be met by this program. Modification will be required as experience is gained under the act. Continuing research programs into the effectiveness of the legislation are under way. Where serious defects in the legislation are uncovered, rapid steps will undoubtedly be taken to correct them.

Although the primary emphasis of this legislation is in the rural area, it is anticipated that the beneficial consequences of the program will be equally favorable to local governments and to urbanizing areas. The initial cost of adopting the program and entering into contracts will be borne by the state. The act has been designed with the intent of avoiding added expense to local government during the active period of life of the contracts. Furthermore, it is anticipated that the costs of providing government services at the local level will be reduced in those areas where the contracts are put into effect. Thus, there should be no need for additional local taxation and a more favorable tax climate should develop under the operation of this program.

California is at the threshold of a more stabilized and more favorable economic environment for its agricultural industry. The importance of California agriculture to the state and nation has been recognized. The California Land Conservation Act of 1965 provides the opportunity for California farmers and ranchers to help frame and participate in this improved environment.