



# COUNTY OF SAN DIEGO

## LAND USE AGENDA ITEM

### BOARD OF SUPERVISORS

GREG COX  
First District

DIANNE JACOB  
Second District

DAVE ROBERTS  
Third District

RON ROBERTS  
Fourth District

BILL HORN  
Fifth District

**DATE:** December 4, 2013

**03**

**TO:** Board of Supervisors

**SUBJECT:** PURCHASE OF AGRICULTURAL CONSERVATION EASEMENT (PACE)  
PROGRAM (DISTRICTS: ALL)

### Overview

On July 17, 2013 (5), the Board of Supervisors directed staff to return to the Board with a report on the Purchase of Agricultural Conservation Easement (PACE) program within 120 days. The Board directed that the report detail the opportunities and challenges realized during the PACE program's implementation, provide an analysis of program demand and property characteristics of interested program participants, and identify and allocate appropriate funding to continue the County PACE program for the 16 remaining top-ranked properties.

Today's item is in response to the Board's direction. If the Board approves the recommendation to continue the program for the remaining 16 top-ranked properties and directs staff to acquire these easements, additional funding of up to \$820,000 of General Fund fund balance would be identified in Fiscal Year 2014-15 Operational Plan for acquisition of up to 16 remaining properties.

### Recommendation(s)

#### CHIEF ADMINISTRATIVE OFFICER

1. Receive the report on the County's Purchase of Agricultural Conservation Easement program and provide further direction to staff.
2. If the Board directs staff to acquire easements from the remaining 16 top-ranked properties:
  - a. Find that the proposed action is categorically exempt from the California Environmental Quality Act (CEQA) under Section 15317 of the State CEQA Guidelines because it is a project involving the purchase of easement interests to preserve agricultural and natural conditions.
  - b. Direct the Director of Planning & Development Services to pursue the acquisition of easements on the remaining 16 top ranked properties.
  - c. Refer to budget, the establishment of appropriations of up to \$820,000 in the Department

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of Planning & Development Services, services and supplies, to fund the acquisition of the remaining top ranked PACE properties, based on Fiscal Year 2013-2014 General Fund fund balance available.

- d. Provide direction to staff whether a mitigation program should be prepared as an expanded component of the PACE program.

**Fiscal Impact**

Funds of \$640,000 are included in the Fiscal Year 2013-2014 Operational Plan for the Department of Planning & Development Services. The funding source is Fiscal Year 2012-13 General Fund fund balance available. If the Board directs staff to continue with the purchase of additional properties, then additional costs of up to \$820,000 associated with the acquisition, appraisal and administrative costs of the properties will be included in the Fiscal Year 2014-15 Operational Plan based on Fiscal Year 2013-14 General Fund fund balance available. There will be no change in net General fund cost and no additional staff years.

**Business Impact Statement**

N/A

**Advisory Board Statement**

N/A

**Background**

On August 3, 2011 (1), the Board of Supervisors directed staff to develop a pilot Purchase of Agricultural Conservation Easement (PACE) program as a component of the General Plan Update Implementation Plan. Under the PACE program, the County compensates willing agricultural property owners for placing a perpetual easement on their agricultural property therefore limiting future uses and extinguishing future development potential. As a result, the agricultural land is preserved and the property owner receives compensation that can make its continued use for agriculture more viable. To date, the program has permanently protected 782 acres of ranch and farmland through the acquisition of agricultural conservation easements, exceeding the programs original goal of protecting 500 acres. The pilot program has also identified 16 additional properties eligible for program with a combined acreage totaling 517 acres.

In order to participate in the PACE program, a property owner must meet three eligibility requirements: 1) The property must have been actively farmed and /or ranched for a minimum of two years prior to applying for the program; 2) The property must have realized a density reduction as a result of the General Plan Update adopted by the Board of Supervisors on August 3, 2011; and, 3) The property must have had the ability to subdivide under the previous General Plan (in effect prior to August 3, 2011). The eligibility criteria were established and publicly vetted during the General Plan Update process and reviewed by the PACE Advisory Group prior to implementation of the program.

Program Implementation

One of the primary challenges faced in implementing the PACE program was developing

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awareness about the program and assessing overall interest in program participation. In order to overcome this challenge, staff implemented a marketing effort in the fall of 2011. Over 7,000 notices were mailed out to County property owners who were identified as being potentially eligible for the program. In addition to making property owners aware of the program, the notices invited recipients to participate in an online survey. Data collected from the surveys were used to assess program interest and gain preliminary property data from potential applicants. Staff marketing efforts also included the development of a PACE website and establishment of an informational hotline that fielded over 500 calls during its first two months of operation.

A formal PACE application period was held from January 16, 2012 through March 1, 2012. A total of 60 property owners applied for the program. The following table summarizes property characteristic of the applications received for the PACE program.

Number of applications received	60
Average parcel size	81 acres
Total acreage eligible for program	1,870 acres
Total # of ranching properties	5
Total # of ranching and agricultural properties	4
Total # of agricultural properties	51
Average density reduction realized in dwelling units	6.3 DU
Average density reduction as a percentage	64%

All applications were reviewed and ranked based on criteria established by the PACE Advisory Group. Density reduction realized as a result of the General Plan Update was the primary ranking factor. Additional ranking criteria included agricultural viability and the ability to contribute to assemblage of the Multiple Species Conservation Plan. The ten highest ranking properties were selected to move forward to the appraisal phase of the program.

An independent third party appraiser conducted property specific appraisals on each of the selected properties. In determining the value of the easements, the County instructed the appraiser to apply the traditional appraisal valuation approach used by the State Department of Conservation in their California Farmland Conservancy Program. Under this approach, the appraiser used the sales comparison approach to estimate market value of the land as unencumbered. Then an estimate of the property value with the agricultural conservation easement in place was made. Finally the market value of the encumbered land was subtracted from the market value of the unencumbered land to arrive at the appraised value of the agricultural conservation easement.

Based upon the appraised values and available funding, County staff secured “willing seller letters” and prepared a real property contract for the acquisition of easements from five of the ten highest ranked property owners. Two of the remaining ten highest ranked property owners elected to not move forward with the program and the remaining three top ten properties were not extended easement offers due to funding limits. The total value of the five easements proposed for acquisition was \$1,694,000. The easements covered a total area of 738 acres. \$212,000 was spent on appraisals and administrative expenses, leaving a remaining balance of

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\$94,000 from the original \$2 million allocated to the pilot phase of the PACE program. The Board of Supervisors approved the acquisition of the five agricultural conservation easements on July 17, 2013 (5).

Fiscal Year 2013-2014 Acquisitions

Planning & Development Services was allocated \$620,000 in the Fiscal Year 2013-14 budget to extend easement offers to the three remaining properties from the pilot phase of the PACE program. These three properties which ranked 8, 9 and 10 among the top ten PACE properties were appraised under the pilot phase of the program but were not extended offers due to funding limitations. With the additional funding provided by the Board, offers for easement acquisitions were extended to the three property owners in August 2013. One owner of a 44-acre property in Lakeside accepted the County's offer; the other two owners elected to not participate in the program. As a result of the two property owners electing not to participate, \$546,000 of the allocated funding remains available.

Potential Acquisitions

In addition to the top ten properties processed under the pilot phase of the program, there are a total of 16 properties deemed eligible for the PACE program but not processed for acquisition due to funding limitations. The 16 properties total 517 acres. Based on the appraised values and administrative costs realized during the pilot phase of the program the total acquisition cost for the 16 remaining properties is estimated at \$1,460,000. A total of \$640,000 of PACE funds remains available from the Fiscal Year 2013-14 funding allocation (\$546,000) and remaining pilot phase balance (\$94,000). Therefore, a funding allocation of \$820,000 would be required to fund the acquisition of the 16 remaining properties.

Mitigation Discussion

Prior to and during the development and implementation of the PACE program there has been interest in exploring whether the PACE program could be expanded to serve as a mitigation tool for private development. With an expanded mitigation component, easement land acquired under the PACE program could be utilized as off-site mitigation for agricultural impacts resulting from private projects. In practice, the mitigation component would provide project applicants an option to pay an in-lieu fee to purchase PACE program credits to offset agricultural impacts. Each acre of land permanently protected with an agricultural conservation easement under the PACE program would equate to one mitigation credit. Therefore, a project applicant could offset a project's onsite impacts by purchasing PACE mitigation credits at a 1:1 ratio. Similar mitigation programs are found in other California jurisdictions such as Monterey and Yolo counties. Additionally, in-lieu mitigation fees collected could be utilized to acquire and protect additional agricultural land under the PACE program and serve as an on-going funding stream.

Upon direction from the Board, staff can prepare a mitigation component for the Board's consideration at the time staff returns for approval of the easement acquisitions for the 16 remaining properties.

**Environmental Statement**

The acquisition of agricultural conservation easements is categorically exempt from the provisions of the CEQA guidelines in accordance with Section 15317, as it involves the transfer

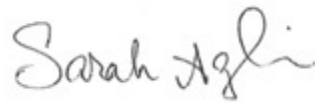
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of ownership of land to preserve agriculture and natural conditions.

**Linkage to the County of San Diego Strategic Plan**

The requested action for acquisition of agricultural conservation easements supports the Sustainable Environments Strategic Initiative in the County of San Diego's 2013-2018 Strategic Plan by implementing land use strategies that protect and promote natural and agricultural resources.

Respectfully submitted,



SARAH E. AGHASSI  
Deputy Chief Administrative Officer

ATTACHMENT(S)

Attachment A – Board of Supervisors Minute Order, July 17, 2013

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**AGENDA ITEM INFORMATION SHEET**

**REQUIRES FOUR VOTES:**          Yes        No

**WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED**  
    Yes        No

**PREVIOUS RELEVANT BOARD ACTIONS:**  
July 17, 2013 (5), Purchase of Agricultural Conservation Easement Program

**BOARD POLICIES APPLICABLE:**  
N/A

**BOARD POLICY STATEMENTS:**  
N/A

**MANDATORY COMPLIANCE:**  
N/A

**ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION  
NUMBER(S):**  
N/A

**ORIGINATING DEPARTMENT:** Planning & Development Services

**OTHER CONCURRENCES(S):**    N/A

**CONTACT PERSON(S):**

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