



# FARM BUREAU SAN DIEGO COUNTY

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March 10, 2011

The Honorable Bill Horn  
Chairman  
San Diego County Board of Supervisors  
1600 Pacific Highway, Room 335  
San Diego, CA 92101-2471

Dear Chairman Horn,

The San Diego County Farm Bureau has been a constant participant in the General Plan Update process since the inception of the endeavor. As the organization representing the farm community, it has been our goal to make it clear that farms are economic units and no different than other small businesses in that sustainability depends on building and maintaining assets. In the instance of farms, the chief asset more often than not is the land upon which the farm sits. From that position we have advocated for and patiently waited for a proposal that will protect the equity for those farms that suffer a devaluation of value as a result of the adoption of a new General Plan.

We have had an opportunity to review the Draft Purchase of Agricultural Conservation Easements (PACE) program that has been put forward by the County of San Diego in response to our call for a means to protect farmers' property equity. After review we have concluded that the PACE proposal will not meet the needs of local farms as an equity protection tool. The reasons discussed below led us to that conclusion.

**Section I, Overview.** Here it is stated that the program would initially be made available only to those agricultural property owners impacted by density reductions. This statement appears to be the only link between PACE and protection for farmers for the loss of equity. As we will note in these comments, access to PACE is not the equivalent of actual protection.

The second paragraph of this section ends with the statement "...the PACE program is considered one of the many tools that can address perceived loss of equity in local agricultural operations." There has been no request from the farm community for protection of "perceived" losses. It is only protection for quantifiable losses that is sought. If "perceived" is removed from that sentence, we are then confused about the claim that there are many tools to address the loss of equity. At this point we are only aware of the conservation subdivision proposal as a means for a limited number of farmers to protect their equity.

We agree with the assertion that removing development value from farm property will create more affordable opportunities for entry level farmers. However, it is patently unfair if that goal is attained at the expense of those farmers currently on the land without some manner of equity protection.

The PACE proposal calls for an initial 18 month pilot project. At the end of the pilot project County staff will report back to the Board of Supervisors on outside funding and the demand for the program. In today's climate we think it is safe to say that locating state and federal funding will be a difficult task. As for the popularity of the program, we assert that the compensation levels and rules for participation will result in few, if any, participants. We fear the pilot program is set up to fail. Should this pilot program be put in place it must be done with the full knowledge that failure to attract participants will not be an indication that farmers are not interested in equity protection.

**Section I, Program Modifications.** We appreciate the acknowledgement that the PACE program, if implemented, would be unique to San Diego County and modifications may be needed. However, as mentioned throughout this letter, the entire program as an equity protection tool is flawed.

**Section II, Ranking Criteria.** It is understood that PACE programs are designed to protect properties most important for the preservation of agriculture, as stated in this section. However, what the farm community has sought is a protection tool option for all farm properties that suffer equity loss due to the General Plan Update process. These are not compatible goals. For instance, the owner of a piece of property not immediately in the path of development could suffer a substantial equity loss due to density reduction, but never qualify for PACE funding.

This section also discusses the popularity of "discounting" in order to move up in the rankings when PACE is considered by a landowner. Discounts averaging 29 percent up to 50 percent throughout the nation are cited. The concern here is that competition for scant funding will create a bidding war with property owners who have no other option then suffering a substantially discounted PACE easement value on top of the equity loss to their property.

**Section II, Easement Selection.** In addition to landowner offered discounts, this section mentions that easement selection could be based on the cost of the easement relative to total allocations and appropriations. This likely creates the situation where properties with high easement value will not be selected due to limited funding.

**Section II, Easement Valuation.** We have concerns that the easement valuation process is based on experience in other regions of the state. While Section I, Program Modifications, recognizes a San Diego program will be unique, the process for valuations leans heavily on established programs. It would be our position that work should be done prior to adoption of a PACE program to establish the real values of conservation easements in San Diego County that would be attractive to landowners. Selection of an \$8000 cap for smaller properties is arbitrary and not grounded by local conditions.

Perhaps the biggest flaw in this PACE proposal is the silence in this section on the issue of pre-General Plan Update values measured against post-General Plan Update values. The heart of Farm Bureau's call for equity protection has been the need to secure for landowners the value of the gap between pre-General Plan Update values and post-General Plan Update values. With the starting point for the conversation on the value of easements moved to the post-General Plan Update densities, the entire issue of equity protection has been set aside.

**Section II, Easement Provisions.** Equally as troubling as the proposal to first remove density and then determine easement values is the provision calling for the complete removal of density from the

property with the exception of the residential uses associated with the agricultural operation. This makes the cure worse than the disease. Not only are farmers asked to suffer the financial impact of density reduction, they are then expected to strip the remaining density from their property.

**Section III, Funding.** This section appears to be little more than an inventory of local, state, and federal programs, none of which can be seen as a sustainable form of funding for a PACE program. Further, with no assessment of the popularity or cost of a San Diego specific PACE program, funding levels cannot be judged as either insignificant or adequate.

The suggestion is made in this section that 28 percent of the agricultural lands receiving reduced densities under the General Plan Update could be included in a County funded program over a 20 year period. The text goes on to say “This assumes a relatively high participation rate which likely exceeds the amount of interest the program would see from eligible property owners.” We must say that we strongly agree with the participation rate statement in that we think the actual number will be closer to zero.

We want to make it clear that we have no argument with the creation of a PACE program for San Diego County. In fact, we would encourage the County to take that step. Successful PACE programs are designed to function with static densities and develop values based on local conditions. That works for a standalone PACE program. What doesn't work is trying to design a PACE program as the equity protection tool the farm community has been asking for more than a decade.

As drafted, the PACE proposal sets farmers up for three hits; 1) Equity loss due to density reduction, 2) no correlation between the value of easements and lost equity, and 3) the proviso that the remaining density on a property must be stripped away. We think you might agree that the promise of an equity protection tool has not been met. Essentially, PACE is a square peg that will never fit in the round hole that is equity protection.

In the continued absence of equity protection for working farmers, the Farm Bureau's opposition to the density reductions in the General Plan Update remains in place. We implore you to set aside the density reductions in the General Plan Update in the name of protecting the financial integrity of the many family farms in San Diego County that will suffer undo harm when their property values are reduced.

Thank you for your consideration of Farm Bureau's long-held position on equity protection.

Sincerely,



Al Stehly  
Board Member Assigned to the General Plan Update