SOCIOECONOMICS

3.17 Master Response on Property Values and Fiscal Impact Estimates

3.17.1 Introduction

Commenters stated that the Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) should address the impacts of the Proposed Project and Alternatives on property values or the fiscal impacts to Imperial County and its incorporated cities.

3.17.2 Property Values

Salton Sea Geographic Subregion

It is anticipated that the elevation of the Salton Sea will drop up to 7 feet under the No Project Alternative, from -228 to -235 feet. Under the Proposed Project the maximum change in Sea elevation is associated with conserving water with on-farm and water delivery system improvements, a drop of 22 feet from -228 to -250 feet. This drop in Sea level will result in increases in the amount of exposed shoreline. The increase in exposed shoreline along with any real or perceived increases in the magnitude or frequency of dust storms, noxious odors or adverse visual experiences would put downward pressure on the value of personal and commercial properties in communities closely tied to the Salton Sea. Communities that would be most likely to experience such adverse impacts would include Salton City, Bombay Beach, Desert Shores Salton Sea Beach, and North Shores.

As a result of the Salton Sea Habitat Conservation Strategy, the elevation of the Salton Sea would be equal to or greater than the Sea elevation under the baseline until the year 2030. After the year 2030 the elevation of the Sea may drop below the Baseline levels resulting in an increase in the quantity of exposed shoreline relative to the Baseline. Sending additional water to the Sea is a potential mitigation measure that may be used to mitigate for air quality impacts attributed to the Proposed Project in years after 2030. If this air quality mitigation measure were used there would be no change in Sea elevations or property values relative to the Baseline.

If potential air quality impacts after the year 2030 are mitigated using some measure other than maintaining Sea elevations, the area of exposed shoreline would increase relative to the Baseline. Such increases in exposed shoreline along with any real or perceived increases in the magnitude or frequency of dust storms, noxious odors or adverse visual experiences would put downward pressure on the value of personal and commercial properties in communities closely tied to the Salton Sea after the year 2030. Communities that would be most likely to experience such adverse impacts would include Salton City, Bombay Beach, Desert Shores Salton Sea Beach, and North Shores.

The actions of the Proposed Project in combination with the Salton Sea Habitat Conservation Strategy would have no impacts on property values during the period of 2002 through 2030. After the year 2030, depending on potential future air quality mitigation measures, lower Sea elevations relative to the Baseline may put additional downward

pressure on the level of commercial and residential property values in communities with close ties to the Salton Sea.

Imperial Irrigation District (IID) Water Service Area and All American Canal (AAC) Geographic Subregion

Installation of On-farm Irrigation System Improvements. The installation of on-farm irrigation system improvements such as pumpback tailwater recovery systems (TRS) could result in changes in the value of agricultural lands. Historically the Imperial County assessor's office has based their property tax assessment for agricultural lands on the sale price of comparable properties, and have not specifically considered the existence of pumpback TRS infrastructure when determining a property's assessed value. If on-farm irrigation system improvements become more common or more elaborate than those currently present in the IID water service area as a result of the conservation program, and there was a correlation between the presence of such infrastructure and higher sale prices; the on-farm irrigation system improvements may increase the assessed value of agricultural lands where they are present.

Fallowing. The impact to property values resulting from fallowing lands to conserve water for transfer would depend on the length of time the land is left fallow, as well as the existence of a Williamson Act contract and the change in land use of lands that are converted to something other than agricultural production. Agricultural lands that are fallowed as part of a rotational fallowing program where cultural practices are implemented to maintain the agricultural viability of the land would not likely experience any change in property values. As it pertains to the analysis for the EIR/EIS, rotational fallowing is defined to last less than 4 years. Leaving lands out of agricultural production for more than four years may result in reduced productivity and lower property values. The value of agricultural land that is retired from agricultural production and converted to another land use would depend on its eventual land use. The eventual land use would have to be consistent with the County General Plan.

3.17.3 Fiscal Impacts

Property Tax Collections

Potential reductions in property values resulting from adverse impacts to the Salton Sea or fallowing as part of a conservation program could eventually lead to reductions in the assessed value of properties within the Salton Sea and IID water service area geographic subregions. Likewise, the installation of irrigation system improvements or the capitalization of expected future transfer revenues into land prices could increase the assessed value of agricultural lands. These changes in assessed value would eventually result in changes in property tax collections by Imperial and Riverside County.

Salton Sea Geographic Subregion. The property values section above identifies a potential for the Proposed Project and Alternatives to result in lower property values. If these potential future reductions in property values occur there would be an adverse impact to the fiscal resources of Imperial and Riverside Counties resulting from lower property tax collections. It is not possible to identify the exact timing or magnitude of these potential adverse impacts at this time.

IID Water Service Area. As indicated in the property value section, actions taken by landowners participating in the conservation program could result in either an increase or a decrease in their property value. This would eventually translate into changes in the assessed value of agricultural lands impacting the total property tax revenues collected by the County.

Before land subject to a Williamson Act contract is fallowed, the terms of the applicable contract should be reviewed to ensure that such use is permitted. As discussed in the response to Comment G18-46, fallowing is not prohibited by the Williamson Act itself. If permanent fallowing is restricted by the applicable contract, and if the landowner wishes to participate in the voluntary on-farm fallowing program, then the landowner would have to seek termination of the Williamson Act contract. The grounds for termination of a Williamson Act contract (prior to expiration) are restricted by law and termination penalties may be payable. If land is removed from a Williamson Act contract, the property will be assessed at the normal tax rate, rather than the reduced rate applicable under the Williamson Act.

Rotational fallowing would not impact Williamson Act contracts. The affect on assessed value of participating in a rotational fallowing program is uncertain and would depend on how the landowner managed the land. Increases in incomes from transfer revenues could raise the price of agricultural lands in a fallowing program, or if the lands are mismanaged their value on the market could decrease. The ultimate impact on property tax revenues can not be determined at this time.

In addition to fallowing by private landowners, IID may consider acquiring control of land through purchase or long-term leases that would then be fallowed to conserve water. This would result in the removal of the purchased lands from the County tax rolls since IID holdings are tax exempt. If IID were to implement such a program it would have an adverse effect on the fiscal resources of Imperial County in terms of reduced property tax collections.

Sales Tax

Salton Sea Geographic Subregion. Under the No Project Alternative the elevation of the Salton Sea is predicted to drop to –235 msl and the salinity of the Sea will gradually increase. The increase in salinity will eventually result in the demise of the sport fishing industry sometime before the year 2030 because of the inability of sport fish to survive and/or reproduce, depending on fish species. The loss of the sport fishing industry under the No Project Alternative will result in an adverse economic impact on employment and value of business output as described in Section 3.14.3.4 of the Draft EIR/EIS. This loss in economic activity will result in lower taxable sales and lower sales tax collections in Imperial and Riverside Counties.

The actions of the Proposed Project are anticipated to result in the acceleration of this adverse impact by up to 11 years, as described in Section 3.14.3.3 of the Draft EIR/EIS, and subsection 3.14 of Section 4.2, Text Revisions of this Final EIR/EIS. However, with the implementation of the Salton Sea Habitat Conservation Strategy, the physical conditions of the Salton Sea are predicted to be equal to or better than the Baseline predicted under the No Project Alternative until at least the year 2030. After the year 2030, the elevation of the Sea may drop below the elevations predicted under the Baseline (to approximately –240 msl), or remain equal to the Baseline, depending on potential air quality mitigation

measures that could be required and implemented. As described in Section 3.6, Recreation of the Draft EIR/EIS, the recreation impact mitigation measures proposed in combination with the Salton Sea Habitat Conservation Strategy would result in no significant impacts to recreation resources. Therefore, there would be no change is sales tax collections from recreation activities relative to the Baseline predicted for the No Project Alternative. The potentially lower post-2030 Sea level predicted with the implementation of the Proposed Project and Salton Sea Habitat Conservation Strategy could result is somewhat less economic activity in areas surrounding the Salton Sea. This would likely result is somewhat lower sales tax collections by Imperial and Riverside Counties.

IID Water Service Area and AAC Geographic Subregion. The infusion of transfer revenue into the Imperial County economy would likely result in changes in the total quantity of sales subject to sales and use taxes. The portion of transfer revenues that end up being spent within Imperial County as disposable income would result in higher taxable sales and therefore an increase in sales and use tax collections. Sales and use tax collections from this increased disposable income expenditure are anticipated if water is conserved by fallowing or through on-farm and water-delivery system improvements.

If on-farm and water-delivery system improvements are used to conserve water for transfer, local expenditures on the goods and materials to construct and operate these systems would also result in an increase in sales and use tax collections. Therefore, if water for transfer is conserved via on-farm and water-delivery system improvements the county and incorporated cities within Imperial County are anticipated to experience an increase in sales and use tax collections attributable to the Proposed Project. The change in sales tax from increased conservation measures and disposable income expenditures are presented in Table 3.17-1. These sales tax changes are derived from the Proposed Project B (from Section 3.14 of the Draft EIR/EIS) regional economic analysis modeling scenario.

TABLE 3.17-1
Imperial County Sales Tax Impacts of Proposed Project B ($ millions per year)

	Increase in Disposable Income Expenditure	Increase in Expenditures for On-farm and Water Delivery System Improvements	Net Change in Sales Tax Collections
Year Block 1	0.015	0.680	0.695
Year Block 2	0.050	1.116	1.166
Year Block 3	0.079	1.077	1.156
Year Block 4	0.087	1.175	1.262
Year Block 5	0.128	1.236	1.364
Year Block 6	0.151	1.175	1.326
Year Block 7	0.192	1.148	1.340

Alternatively, if fallowing is used as the primary measure to conserve water for transfer, there will be a reduction in sales and use tax collections associated with the less expenditure

on the inputs used in agricultural production. The change in sales tax from reduction in agricultural production and increases in disposable income expenditures are presented in Table 3.17-2. These sales tax changes are derived from the Proposed Project D (from Section 3.14 of the Draft EIR/EIS) regional economic analysis modeling scenario.

TABLE 3.17-2
Imperial County Sales Tax Impacts of Proposed Project D ($ millions per year)

	Increase in Disposable Income Expenditure	Increase in Expenditures for On-farm and Water Delivery System Improvements	Net Change in Sales Tax Collections
Year Block 1	0.107	-0.324	-0.217
Year Block 2	0.298	-0.906	-0.608
Year Block 3	0.406	-1.235	-0.829
Year Block 4	0.448	-1.364	-0.916
Year Block 5	0.490	-1.492	-1.002
Year Block 6	0.507	-1.544	-1.037
Year Block 7	0.667	-1.544	-0.877

In summary, Proposed Project B that assumes conserving water via on-farm and water delivery system improvements results in net increases in sales taxes of between about $700,000 and $1.4 million. Proposed Project D that assumes water is conserved by fallowing results in net decreases in sales taxes of between $220,000 and $1 million. These estimates are based on the impact estimate modeling using the 1998 IMPLAN data set for Imperial County. For comparative purposes, the California Board of Equalization reports that the 1998 total taxable sales for Imperial County were $1.1 billion (California Board of Equalization). Using a sales and use tax rate of 7.75 percent that would translate into sales tax collections of around $80 million.

Public Service Expenditures

Of the services provided by county and city governments within Imperial County it is anticipated that unemployment claims associated with farm labor and other industry workers displaced by fallowing has the greatest potential to be impacted by the Proposed Project or Alternatives. Imperial County has historically had one of the highest unemployment rates within California, and jobs losses associated with fallowing would contribute to the situation. The worst case aggregated impact is estimated to be a loss of about 2,500 jobs throughout all sectors of the Imperial County economy, if fallowing is implemented. Alternatively, increases in employment associated with conserving water through on-farm and water-delivery systems improvements would likely reduce the financial strain of unemployment claims within the County.

3.18 Master Response on Crop Type Assumptions for Socioeconomic Analysis of Fallowing

3.18.1 Introduction

Commenters suggested that the Draft Environmental Impact Report/Environmental Impact Statement (EIR/EIS) focused the socioeconomic impacts of fallowing a crop rotation (i.e., all crops produced in rotation over a period of years), based on the historic cropping pattern for Imperial Valley. Commenters objected to this approach and argued that the analysis should present the effects of fallowing crops anticipated to have the lowest return per acre or lowest return per acre-foot of water used, including field crops or more specifically alfalfa hay, sudan, and bermuda grass.

3.18.2 Master Response

Within the Imperial Irrigation District (IID) water service area, the crops grown on a particular agricultural field are typically rotated during a cycle that lasts for multiple years. The exception to this crop rotation pattern is agricultural lands that are growing so-called permanent crops such as fruit and nut trees, which have a planting cycle that is generally a decade or more. A common crop rotation in the IID water service area for non-permanent crops lasts for approximately 7 years with the land in alfalfa hay for 3 to 4 years, followed by vegetable and other field crops during the remainder of the rotation cycle. Table 3.18-1 provides a pro forma of cropping patterns for eight land parcels over a common 7-year period. Parcel A, for example, produces hay in year 1 through year 3. In the middle of year 3, it starts rotating into fall vegetables (lettuce), another field crop (cotton), and subsequently other vegetables (tomatoes) and another field crop (wheat). After 3 years of rotating among vegetable and field crops, preparation begins for the next 3- to 4-year cycle of alfalfa hay. In any given year, the other parcels are in different stages of their crop rotation cycle. However, over the long-term, alfalfa hay is grown on each parcel for a portion of the time and other field crops and vegetables are grown for the remainder of the time.

Commenters have expressed the view that a program of land fallowing can target specific crops in order to reduce the economic impacts of land fallowing. From this perspective, a fallowing program would only impact the so-called low-valued, high water-use crops. Under current economic conditions, the most common candidate mentioned for a targeted fallowing program is alfalfa hay.

Given the long-term nature of the water transfers included in the Proposed Project, any attempt to target crops in a land fallowing program does not take into account a fundamental fact about agriculture in the Imperial Valley: crop rotation on fields. As discussed above, virtually all crops are grown on all fields. Therefore, any fallowing over the representative 7-year cycle of crop rotation, let alone over a term of up to 75 years, would sacrifice the range of crops that would have otherwise been grown.

Proponents of targeted fallowing have argued that only alfalfa hay crops would be fallowed, because farmers would rotate which portion of their lands would be fallowed in any year. For example, suppose that a farmer owned both Parcel A and Parcel B in the pro

forma of annual cropping patterns (see Table 3.18-1). If alfalfa hay were targeted for fallowing, the farmer would fallow Parcel A in years 1, 2, and 7 and would fallow Parcel B in years 4, 5, and 6 when he would have otherwise have grown alfalfa hay.[15] Or, if the planned rotation of crops did not "match up" as they do in this example, the farmer could change his crop rotation pattern so that he could target alfalfa hay.

TABLE 3.18-1
Pro Forma Cropping Cycle Patterns

Year	Parcel A	Parcel B	Parcel C	Parcel D	Parcel E	Parcel F	Parcel G	Parcel H
1	Hay	Sugar Beets Lettuce	Carrots Hay Planting	Hay Lettuce	Hay	Tomatoes Wheat	Lettuce Cotton	Sugar Beets
2	Hay	Lettuce Sudan Wheat	Hay	Lettuce Sudan Onions	Hay	Wheat Hay Planting	Tomatoes Wheat	Sugar Beets Carrots
3	Hay Lettuce	Wheat Hay Planting	Hay	Onions Wheat	Lettuce Sudan Onions	Hay	Wheat Sudan Onions	Carrots Wheat
4	Lettuce Cotton	Hay	Hay	Wheat Hay Planting	Onions Sugar Beets	Hay	Onions Carrots	Wheat Sudan Onions
5	Tomatoes Wheat	Hay	Tomatoes Wheat	Hay	Sugar Beets Hay Planting	Hay Lettuce	Carrots Lettuce	Onions
6	Wheat Hay Planting	Hay	Wheat Sugar Beets	Hay	Hay	Lettuce Sudan	Lettuce Sudan	Tomatoes Wheat
7	Hay	Tomatoes Carrots	Sugar Beets Cotton	Hay	Hay	Tomatoes Wheat	Tomatoes Wheat	Wheat Lettuce

This argument misses critical points about farming practices and economics in Imperial Valley. First, alfalfa hay is in the crop rotation because, in addition to its economic return, it is also necessary for proper long-term resource management. Crop rotation is a necessary element of maintaining the productivity of land in the Imperial Valley. Second, changing crop rotations is not without economic cost. Planned crop rotations reflect economic conditions, investment decisions and risk diversification. Changing the crop rotation could result in a less effective means of risk diversification, with less effective resource management. Without any evidence from the actual experience of a long-term land fallowing program, there is little basis to determine whether the economic and resource management considerations identified above would enable a long-term fallowing program to target specific crops.

Therefore, if a given quantity of land were to be removed from agricultural production, absent any incentive in the form of contracts with IID, it is reasonable to assume that farm managers would continue to employ the same crop rotation on the remaining lands still in production. In that situation all crops in the rotation would experience a reduction in harvested acreage as a result of the fallowing. This is the assumption that was used when

[15] The rules of the program would determine whether he could fallow Parcel A for a portion of year 6 or fallow Parcel B for a portion of year 3 when he would have been otherwise planting alfalfa after growing wheat.

modeling socioeconomic impacts of the Proposed Project and Alternatives for the Draft EIR/EIS.

Alternatively, if IID chose to incorporate economic or contractual incentives into a fallowing program, individual farm managers may focus their reductions in irrigation on particular crops or a group of crop types. In this case, the regional economic impact would be different from, and less severe than, the impacts presented in the Draft EIR/EIS.

Table 3.18-2 provides a comparison of the impact of fallowing different crop categories in terms of employment, value of business output, and personal income for review.

As shown in Table 3.18-2, the regional effect of focusing the fallowing effort on the Hay and Pasture or Food Grains crop categories would be smaller adverse impacts, compared to the impacts of fallowing the crop rotation pattern described in the Draft EIR/EIS. However, in order to disclose the maximum potential adverse effects of the Proposed Project and Alternatives, for modeling purposes it is assumed that fallowing the historic non-permanent cropping rotation will drive regional economic impacts. In practice, actual decisions regarding what crops a farmer participating in the program may fallow will depend on the terms and conditions of the fallowing program, individual farm conditions, agricultural market conditions and the preferences of the participating farm managers.

TABLE 3.18-2
Comparative impact of fallowing individual crop categories relative to fallowing the full cropping pattern

Crop	Percent of Non-Permanent Crops in IID water service area (percentage)	Weighted Average Value of Production (1) ($ per acre)	Change in Employment per 10,000 Acres of Reduction in Harvested Acreage (Jobs)	Change in Value of Business Output per 10,000 Acres of Reduction in Harvested Acreage ($ millions)
Cotton	1.81	1,003	-160	-15.5
Food Grains	13.64	425	-70	-6.1
Hay and Pasture	50.65	444	-140	-6.3
Grass Seed	4.84	638	-290	-8.5
Vegetables	21.80	3,400	-680	-54.4
Sugar Beets	7.27	1,227	-190	-17.4
Weighted Average (2)	100	1,162	-260	-17.9

(1) Per acre value of production used is a calculation based on Imperial County Agricultural Commissioners data from the years 1987 to 1998.

(2) The weighted average combination is used to generate the impact estimates presented in the EIR/EIS Impacts presented in terms of a reduction in harvested acreage of 10,000 acres for comparative purposes only.