



BOARD OF SUPERVISORS  
AGENDA LETTER


Agenda Number:

Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

Department Name: CEO  
Department No.: 012  
For Agenda Of: October 21, 2014  
Placement: Administrative  
Estimated Tme: NA  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Mona Miyasato, County Executive Officer   
Director(s)  
Contact Info: Tom Alvarez, Budget Director, 568.3400

**SUBJECT:** Property Tax Exchange Agreement for Summit View Homes Reorganization with the City of Lompoc (LAFCO 14-1)

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Other Concurrence:**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- a) Approve, ratify, and authorize the Chair to execute the Summit View Reorganization Second Extension Agreement with the City of Lompoc, extending the time period specified in Cal. Rev. & Tax. Code Section 99(e)(1)(A) to November 30, 2014;
- b) Adopt a resolution providing for a negotiated exchange of property tax revenues pertaining to the Summit View Homes Reorganization (LAFCO #14-1), an annexation to the City of Lompoc, annexation to the Mission Hills Community Services District, detachment from the Santa Barbara County Fire Protection District and detachment from the Mosquito and Vector Management District of Santa Barbara County;
- c) Approve a RHNA Transfer Agreement between the County of Santa Barbara and the City of Lompoc regarding the transfer of Regional Housing Need Allocation (RHNA) housing units pertaining to the Summit View Homes Reorganization; and
- d) Find that the proposed actions are not a project under the California Environmental Quality Act (CEQA) pursuant to Sections 15378(b)(4) and 15378(b)(5) of the CEQA Guidelines, because they are government fiscal, organizational, or administrative activities that will not result in direct or indirect physical changes in the environment.

### **Summary Text:**

The County of Santa Barbara (County) received a notification from the Local Agency Formation Commission (LAFCO) that it had received an application from the City of Lompoc (City) for the Summit View Homes Reorganization, including Annexation to the City, Annexation to the Mission Hills Community Services District, Detachment from the Santa Barbara County Fire Protection District and Detachment from the Mosquito and Vector Management District of Santa Barbara County. The reorganization proposal would also require a sphere of influence revision.

In the past, the County has negotiated these tax exchanges with consideration of the rate of adjoining or nearby Tax Rate Areas that have been annexed. When annexations also involved detachment from the County Fire District (and therefore Fire service to be provided by the city), it was not uncommon for the County to exchange property tax revenue equivalent to the County Fire District share. While the amount of property tax revenue under negotiation is modest, the property is in close proximity of County public safety resources, and the distance of City of Lompoc first responders creates a circumstance that the Summit View Home residents likely will be using County emergency services without contributing a proportional share of property taxes for services provided by the County Fire Protection District. In particular, ambulance services would continue to be provided by the Fire District. For this reason, ongoing County Fire services were included in the County's fiscal analysis. The proposed tax exchange increases the County General Fund allocation from 23.47% to 26.55% and eliminates the Fire District's allocation of 14.06%. While not directly allocated to the Fire District, the increased County General Fund allocation allows for additional funding, if necessary, to be allocated from the County to the Fire District to cover any incrementally increasing costs.

The County and the City engaged in extended tax exchange negotiations for the allocation of base property taxes and future property tax increment that ended in an agreement, if adopted, whereby the Fire Protection District's allocation of 14.06% and the Mosquito and Vector Management District's allocation of 0.02% would be eliminated. The City's future share of the allocation will be equal to 11.0% of Property Tax Revenues generated by the parcels and the County General Fund's existing allocation percentage will be adjusted for the difference. The allocation percentages of taxing entities not included in the reorganization are not affected.

In addition, the City agrees to accept the transfer of 44 housing units from the County for determining jurisdictional Regional Housing Needs Allocation (RHNA) compliance.

This item is being placed on the agenda of the Board of Supervisors, per Section 99 of the Revenue and Taxation Code. The County must consider approval of a resolution of a negotiated exchange of property tax revenues with the City before the proposed annexation can be heard or approved by LAFCO. The item has been tentatively scheduled by LAFCO to be heard at the scheduled December 4, 2014 hearing. The Board adopted a policy (July 17, 2007) to include the negotiation of housing units as part of the tax exchange agreement required for annexations. This policy is applicable to this annexation since housing is proposed to be built as part of this annexation.

If the Board does not approve this tax exchange, staff would recommend to approve, ratify, and authorize the Chair to execute the Summit View Reorganization Second Extension Agreement with the City of Lompoc, extending the time period specified in Cal. Rev. & Tax. Code Section 99(e)(1)(A) to November 30, 2014. If the City and County have not approved a property tax exchange agreement by

that date, then the City and the County shall mutually select a mediator, funded in equal portions by those agencies, to perform mediation for a period not to exceed 30 days from the extension identified in above. If, upon the completion of the mediation period, no exchange of property tax revenues is agreed upon by the City and the County, Cal. Rev. & Tax. Code Section 99(e)(1)(C) shall apply (arbitration).

### **Background:**

The LAFCO Proposal Justification Questionnaire for Sphere Change, Annexations and Detachments (Reorganization) states the City of Lompoc (City) is requesting annexation of Assessor Parcel Number (APN) 097-250-034 located at the north-east corner of Purisima and Harris Grade Roads, to the City and Mission Hills Community Services District (CSD), as well as, detachment from the Santa Barbara County Fire Protection District and Mosquito and Vector Management District of Santa Barbara County.

The proposed annexation is being filed to transfer and/or extend municipal services provided by the City and the Mission Hills CSD to the property, including City land use regulation and sewer service. Water and sewer services would be provided by the Mission Hills CSD.

On May 20, 2014, your Board received a staff update of the ongoing Tax Exchange negotiations between the County and City. At that time, the parties had not reached an agreement for appropriate tax sharing and the Board directed staff to continue with fiscal analysis and negotiations. On July 8, 2014, the Board approved an extension of time to continue the fiscal review and negotiations through September 15, 2014. On September 10, 2014, County staff and City of Lompoc representatives, subject to various board approvals, reached an agreement of revenue tax sharing.

In negotiations between the City and the County, the parties agreed to the allocation of base property taxes and future property tax increment, if adopted, whereby, the Fire Protection District's allocation of 14.06% and the Mosquito and Vector Management District's allocation of 0.02% would be eliminated. The City's future share of the allocation will be equal to 11.0% of Property Tax Revenues generated by the parcels and the County General Fund's existing allocation percentage will be adjusted for the difference. The allocation percentages of taxing entities not included in the reorganization are not affected.

The above allocation is believed to be approximately revenue neutral to the City of Lompoc based on the updated Stanley Hoffman & Associates report dated June 19, 2014. Based on per capita County costs, it is estimated that the County's financial position will improve based on this revenue sharing agreement.

The current annexation application would transfer of responsibility for maintaining the right of way from Garden Gate Lane on the north along Harris Grade Road to the parcel boundary line along Purisima Road on the east.

Attached is a Board Resolution which proposes the authorization of the terms, provisions and directions for executing the property tax exchange between the City and the County.

In addition, a transfer of the parcel's proposed housing units from the County to the City for determining jurisdictional Regional Housing Needs Allocation (RHNA) compliance would occur.

Government Code 65584.07 says that "...if an annexation of unincorporated land to a city occurs after the council of governments...has made its final allocation...*a portion of the county's allocation may be transferred to the city* [emphasis added]. The city and county may reach a mutually acceptable agreement for transfer of a portion of the county's allocation to the city...." As such, the County negotiated a transfer of 44 units of RHNA from the County to the City. An Agreement between the County and City is proposed for Board approval outlining the RHNA shift. If approved by the Board of Supervisors, the Agreement will be transmitted to SBCAG for inclusion in their RHNA methodology.

**Fiscal and Facilities Impacts:**

The parcels subject to the reorganization have a total assessed value as of FY 2013-14 of approximately \$1,443,000 of which the 1% value is \$14,431. Eleven percent (11%) of the property tax currently allocated to the County Fire Protection District will be reallocated to the City and the allocation to the Mosquito and Vector Control District will be eliminated. The County General Fund's existing allocation percentage will be adjusted for the difference. The revised Hoffman & Associates Report ("Hoffman Report" dated June 19, 2014) estimates the post build out residential valuation at \$17,160,000 of which the 1% value would be \$171,600. The table below demonstrates the valuation and allocation of taxes to certain taxing entities based on the existing or day 1 valuation and the post build out valuation.

DAY 1 (Assessed Value \$1,443,000*)				
Pre-Agreement		Jurisdiction	Post-Agreement	
Tax Allocation %	Revenue		Tax Allocation %	Revenue
23.47%	\$ 3,387.03	County General Fund	26.55%	\$ 3,831.52
0.00%	\$ -	City of Lompoc	11.00%	\$ 1,587.45
14.06%	\$ 2,029.04	SB County Fire Protection District	0.00%	\$ -
0.02%	\$ 2.89	SB County Vector Control District	0.00%	\$ -

After Build Out (Estimated Assessed Value \$17,160,000*)				
Pre-Agreement		Jurisdiction	Post-Agreement	
Tax Allocation %	Revenue		Tax Allocation %	Revenue
23.47%	\$ 40,274.52	County General Fund	26.55%	\$ 45,559.80
0.00%	\$ -	City of Lompoc	11.00%	\$ 18,876.00
14.06%	\$ 24,126.96	SB County Fire Protection District	0.00%	\$ -
0.02%	\$ 34.32	SB County Vector Control District	0.00%	\$ -

\* Source: Stanley R. Hoffman Associates, Inc. report dated June 19, 2014.

The revised Hoffman Report assumed an allocation to the City of 14.06% which would have resulted in a surplus position. This property tax exchange resolution includes an allocation of 11.0% to adjust the net result to an approximately break-even condition. Per the Hoffman Report, Lompoc City post development revenues, excluding the Property Tax allocation shown above, would be approximately \$67,000. These revenues combined with the revised property tax revenue sharing above (\$18,876) total approximately \$86,000 and are estimated to roughly equal projected incremental City costs, resulting in revenue neutrality for the City. Based on per capita County costs, it is estimated that the County's financial position will improve based on this revenue sharing agreement.

**Attachments:**

- A. SUMMIT VIEW REORGANIZATION SECOND EXTENSION AGREEMENT (Recommendation a)
- B. A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA BARBARA PROVIDING FOR A NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES PERTAINING TO THE SUMMIT VIEW HOMES REORGANIZATION (LAFCO #14-1), AN ANNEXATION TO THE CITY OF LOMPOC, ANNEXATION TO THE MISSION HILLS COMMUNITY SERVICES DISTRICT, DETACHMENT FROM THE SANTA BARBARA COUNTY FIRE PROTECTION DISTRICT AND DETACHMENT FROM THE MOSQUITO AND VECTOR MANAGEMENT DISTRICT OF SANTA BARBARA COUNTY (Recommendation b)
- C. RHNA TRANSFER AGREEMENT BETWEEN THE COUNTY OF SANTA BARBARA AND THE CITY OF LOMPOC (Recommendation c)
- D. REVISED STANLEY HOFFMAN & ASSOCIATES REPORT "SUMMIT VIEW HOMES FISCAL IMPACT ANALYSIS, CITY OF LOMPOC" DATED June 19, 2014.

**Authored by:**

Tom Alvarez, Budget Director, 568.3400

**cc:**

Robert Geis, Auditor-Controller  
Michael Dyer, Fire Chief  
Bill Brown, Sheriff  
Terry Contreras, Clerk, Santa Barbara County Association of Governments