

Attachment B




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: November 4, 2014
Placement: Departmental
Estimated Tme: 30 Minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

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)

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. Receive and file a report on the status of negotiations on a tax exchange agreement between the County of Santa Barbara (County) and the City of Lompoc (City) as required by the Summit View Homes Reorganization (LAFCO File #14-1); and
- B. Provide staff with direction on one of the following options:

Option #1:

- a) Adopt the attached resolution (Attachment A) 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;
- b) Approve the attached Regional Housing Needs Allocation (RHNA) Transfer Agreement (Attachment B) between the County of Santa Barbara and the City of Lompoc regarding the transfer of RHNA housing units pertaining to the Summit View Homes Reorganization; and
- c) 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,

Attachment B

Property Tax Exchange for the Summit View Homes Reorganization (LAFCO 14-1)
November 4, 2014

Page 2 of 7

because they are government fiscal, organizational, or administrative activities that will not result in direct or indirect physical changes in the environment.

Option #2:

- a) 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 November 30, 2014, the extension identified in the Summit View Reorganization Second Extension Agreement with the City of Lompoc. 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) of Revenue and shall apply (arbitration); and
- b) 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.

Option #3

- a) Approve, ratify, and authorize the Chair to execute the Summit View Reorganization Third Extension Agreement with the City of Lompoc, extending the time period specified in Cal. Rev. & Tax. Code Section 99(e)(1)(A) to February 28, 2014;
- b) Direct staff to continue tax exchange negotiations to include the following concerns:
 - i. Compensation for the loss of development fees to the County
 - ii. Timeliness of response for Sheriff and Fire services to residents; consider service agreements
 - iii. The City would be responsible for road maintenance, which would extend the easterly extent of the reorganization boundaries ~500' along Purisima Rd. to end at the current City limit, and extend the northerly extent of the reorganization boundaries ~3500' along Harris Grade Rd. to end at the current City limit; and
- c) 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.

Option #4:

- a) Direct staff to request that the City withdraw its application for reorganization, Summit View Homes Reorganization (LAFCO #14-1); and
- b) 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.

Attachment B

Property Tax Exchange for the Summit View Homes Reorganization (LAFCO 14-1)
November 4, 2014

Page 3 of 7

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. Additionally, ambulance services would continue to be provided by the Fire District after a Reorganization whereby the City would provide Fire services. 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.

Attachment B

Property Tax Exchange for the Summit View Homes Reorganization (LAFCO 14-1)
November 4, 2014

Page 4 of 7

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.

Negotiations between the City and the County continued in August and September. On September 10th, the negotiating parties proposed 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 was 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

Attachment B

Property Tax Exchange for the Summit View Homes Reorganization (LAFCO 14-1)
November 4, 2014

Page 5 of 7

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.

On October 21, 2014, the Board directed staff to:

- a) Continue this matter to November 4, 2014 as a Departmental item
- b) Present other options
- c) Identify the amount of development fees that would be assessed by the County if the development occurred within the County boundaries (estimated at \$233,000)
- d) Confirm that the City would be responsible for road maintenance, which would extend the easterly extent of the reorganization boundaries ~500' along Purisima Road to end at the current City limit, and extend the northerly extent of the reorganization boundaries ~3500' along Harris Grade Rd to end at the current City limit.

Based on Board direction, staff has modified the Recommended Actions to include additional options and included the estimate of potential development fees as noted above.

If Option # 2 is selected, the City and County would move into mediation as required per Rev. & Tax Code Section 99(e) (1) (B) below:

99(e)(1) An exchange of property tax revenues that is required by paragraph (8) of subdivision (b) to be determined pursuant to this subdivision shall be determined in accordance with all of the following:

(A) The city and the county shall mutually select a third-party consultant to perform a comprehensive, independent fiscal analysis, funded in equal portions by the city and the county, that specifies estimates of all tax revenues that will be derived from the annexed territory and the costs of city and county services with respect to the annexed territory. The analysis shall be completed within a period not to exceed 30 days, and shall be based upon the general plan or adopted plans and policies of the annexing city and the intended uses for the annexed territory. If, upon the completion of the analysis period, no exchange of property tax revenues is agreed upon by the city and the county, subparagraph (B) shall apply.

(B) 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. If, upon the completion of the mediation period, no exchange of property tax revenues is agreed upon by the city and the county, subparagraph (C) shall apply.

(C) The city and the county shall mutually select an arbitrator, funded in equal portions by those agencies, to conduct an advisory arbitration with the city and the county for a period not to exceed 30 days. At the conclusion of this arbitration period, the city and the county shall each present to the arbitrator its last and best offer with respect to the exchange of property tax revenues. The arbitrator shall select one of the offers and recommend that offer to the governing bodies of the city and the county. If the governing body of the city or the county rejects the recommended offer, it shall do so during a public hearing, and shall, at the conclusion of that hearing, make written findings of fact as to why the recommended offer was not accepted.

Attachment B

Property Tax Exchange for the Summit View Homes Reorganization (LAFCO 14-1)
November 4, 2014

Page 6 of 7

If Option #4 is selected and the City does not withdraw its application, then the City and County would proceed to mediation and potentially arbitration as described above.

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 the City 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.

The above analysis addresses ongoing financial impacts and does not include the one time development fees described previously in this Board Letter and estimated to be approximately \$233,000.

Attachment B

Property Tax Exchange for the Summit View Homes Reorganization (LAFCO 14-1)
November 4, 2014

Page 7 of 7

Attachments:

- A. 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 1-a)
- B. SUMMIT VIEW REORGANIZATION THIRD EXTENSION AGREEMENT (Recommendation 3-a)
- C. RHNA TRANSFER AGREEMENT BETWEEN THE COUNTY OF SANTA BARBARA AND THE CITY OF LOMPOC (Recommendation 1-b)
- 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

Richard Morgantini, Fiscal & Policy Analyst, 568.3400

cc:

Robert Geis, Auditor-Controller

Michael Dyer, Fire Chief

Bill Brown, Sheriff

Terry Contreras, Clerk, Santa Barbara County Association of Governments