



**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:** August 25, 2015  
**Placement:** Departmental  
**Estimated Tme:** 30 Minutes  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Director(s) Mona Miyasato, County Executive Officer  
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

**Other Concurrence:**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: Yes

**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) 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 (Attachment A);
- c) 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
- 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:**

In 2014, 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.

On February 3, 2015, the Board appointed Supervisors Doreen Farr and Peter Adam to an Ad-Hoc Advisory Committee to discuss annexations issues, including those involving the Summit View Homes Reorganization, as requested by the Lompoc City Council. The Ad-Hoc Advisory Committee meeting was held in Lompoc on April 15, 2015 and was open to the public. On May 19, 2015 Staff provided your Board with a summary of the meeting and confirmed prior direction to continue negotiations with Lompoc staff through a period ending August 31, 2015, with a focus on the sharing of road maintenance for annexed properties and sharing of development fees where appropriate. The attached resolution and materials are the result of recent negotiations.

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 be responsible to provide Fire services. For this reason, ongoing County Fire services were included in the County's fiscal analysis.

As previously presented to your Board, 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. Further, the City of Lompoc will assume responsibility for the right-of-way entitlements and have responsibility for maintenance of

Harris Grade Road from the intersection of Harris Grade Road and Purisima Road, northwesterly up to and including the intersection of Harris Grade Road and Onstott Road. The City shall will also assume the right-of-way entitlements and have responsibility for maintenance of Purisima Road from the intersection of Harris Grade Road and Purisima Road, easterly up to a point approximately 600 feet east of the intersection of Encanto Street and Purisima Road, to a point that aligns approximately with the eastern City limit on the south side of Purisima Road.

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 at a hearing, date to be determined. 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.

### **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 the first of many staff updates 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. The Board approved several extensions of time to continue the fiscal review and negotiations. The current extension expires August 31, 2015.

Prior negotiations between the City and the County resulted in the negotiating parties proposing 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 new negotiated transfer of responsibility for maintaining the right of way has the City of Lompoc assuming the maintenance of Purisima Road from the easterly extent of the previous city limits approximately 1,615' along Purisima Rd to end at the current city limit, and extends on Harris Grade from the northerly extent of the intersection with Harris Grade Road and Onstott Road, southerly

approximately 2,320' to end at the current city limit. The County will maintain the roads north from the northern extend of the reorganization at Onstott Road. Additionally, the City of Lompoc will equally share Fire Development Fees with the Santa Barbara County Fire District.

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 including changes in the Gann Appropriations Limit.

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 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.

**Special Instructions:**

Send signed copy of Attachments A & B to Richard Morgantini, Fiscal & Policy Analyst, CEO Office.

**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 b)
  
- B. RHNA TRANSFER AGREEMENT BETWEEN THE COUNTY OF SANTA BARBARA AND THE CITY OF LOMPOC (Recommendation c)
  
- C. MAP OF PROPOSED ANNEXATION.

**Authored by:**

Tom Alvarez, Budget Director, 568.3400

Richard Morgantini, Fiscal & Policy Analyst, 568.3400

**cc:**

Robert Geis, Auditor-Controller

Eric Peterson, Fire Chief

Bill Brown, Sheriff

Terry Contreras, Clerk, Santa Barbara County Association of Governments