



**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 16, 2012
Placement: Administrative
Estimated Tme: NA
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Chandra Wallar, County Executive Officer
Director(s)
Contact Info: Dennis Bozanich, Assistant to the County Executive Officer,
568.3400
**SUBJECT: Property Tax Exchange Agreement for Cieneguitas Reorganization Annexation
with the City of Santa Barbara (LAFCO 12-4)**

County Counsel Concurrence

Auditor-Controller Concurrence

As to form: Yes

As to form: Yes

Recommended Actions:

- a) Adopt a resolution of negotiated tax exchange agreement between the City of Santa Barbara (City) and the County of Santa Barbara (County) to annex property to the City and detach it from the Santa Barbara County Fire Protection District, Goleta Sanitation District, Goleta Water District, County Service Area 32 and County Service Area 3.
- b) Find that the proposed action constitutes a local governmental agency reorganization which is exempt from CEQA pursuant to 14 CCR 15320, and approve the filing of a Notice of Exemption on that basis.

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 Santa Barbara (City) for the Cieneguitas Reorganization for three vacant parcels at the intersection of Foothill Road and Cieneguitas Road (District 2) which includes the following actions:

- Annexation to the City of Santa Barbara and
- Detachment from the County Fire Protection District, Goleta Water District, Goleta Sanitary District, County Service Area 32 and County Service Area 3.

The County and the City engaged in tax exchange negotiations for the allocation of base property taxes and future property tax increment that ended in an agreement that in addition to its current allocation the

County General Fund will also receive all of the County Service Area 3 tax allocation of 2.48% and half of the difference (0.46%) between City matching property tax allocation of 12.39% and the County Fire Protection District's allocated percentage of 13.31%. If adopted, the City of Santa Barbara will receive 13.12% of the property tax revenue. This includes the 0.27% property tax allocation going to Goleta Sanitation District in recognition that the parcels will all be served by the city's wastewater systems.

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 of Santa Barbara before the proposed annexation can be heard or approved by LAFCO. The annexation request has been tentatively scheduled to be heard by LAFCO at the November 1, 2012 hearing.

Background:

The LAFCO Proposal Justification Questionnaire for Annexations, Detachments, and Reorganizations states that the City of Santa Barbara (City) is requesting annexation of Assessor Parcel Numbers (APNs) 059-160-017 located at 4151 Foothill Road, 059-160-021 located at 675 Cieneguitas Road, and 059-160-023 located at 681 Cieneguitas Road. These parcels total approximately 4.31 acres. The proposal also includes detaching these parcels from County Service Areas Nos. 3 and 32, the County Fire Protection District, the Goleta Sanitary District, and the Goleta Water District. The City would provide water, sewer, and other municipal services to these parcels.

The owner of APNs 059-160-017 and 059-160-023 initiated the proposed annexation as part of the proposed Foothill Centre Project, a medical complex which includes two medical office buildings totaling approximately 60,122 net square feet. The owner of APN 059-160-021 waived the right to protest the annexation. As a result, the LAFCO Executive Director encouraged the inclusion of APN 059-160-021 in the annexation.

On July 24, 2012, the Santa Barbara City Council approved a General Plan Amendment, Zoning Map Amendment, Development Plan, and Final Economic Development Designation for the Foothill Centre Project. An abandoned service station will be demolished and APNs 059-160-017 and 059-160-023 will be merged into a single parcel and developed with the two medical office buildings. An existing veterinary clinic will remain on APN 059-160-021. The approvals by the City Council are contingent upon annexation of the subject parcels to the City. In part, the conditions of approval require the applicant to construct roadway improvements along the north property lines of APNs 059-160-017 and 059-160-023 (adjoining Foothill Road), including sidewalks, curbs, gutters, fire hydrants, street trees, and bike lanes. Some of these roadway improvements will require an Encroachment Permit from Caltrans.

Currently, the County receives 22.31% of the \$30,755 in property taxes paid. County Services Area 3 and Fire Protection District receive 2.48% and 13.31% respectively. The matching tax allocation paid to the City of Santa Barbara on adjoining properties is 12.39%. In negotiations between the City of Santa Barbara and the County, the parties agreed that all of the County Service Area 3 tax allocation (2.48%) and half of the difference (0.46%) between the City matching property tax allocation (12.39%) and the County Fire Protection District's allocated percentage (13.31%) will be transferred to the County

General Fund. The City of Santa Barbara will become the provider of all municipal services and will receive 13.12% of property taxes. This includes the 0.27% property tax allocation going to Goleta Sanitation District in consideration that parcels will be served by the city’s wastewater systems. With this tax exchange agreement the County General Fund will receive \$7,764 per year (25.24%) and the City will receive \$4,035 (13.12%). No property tax revenue from these parcels is distributed to County Service Area 32. Using the current assessed value and property tax amount as an example, the proposed tax exchange agreement would have the following impacts to project-affiliated jurisdictions:

Pre-Agreement		Jurisdiction	Post Agreement	
Tax Allocation %	Revenue ¹		Tax Allocation %	Revenue ¹
13.31%	\$4,093	Santa Barbara County Fire Protection District	0.00%	\$0
0.00%	\$0	City of Santa Barbara	13.12%	\$4,035
22.31%	\$6,860	County General Fund	25.24%	\$7,764
2.48%	\$762	County Service Area 3	0.00%	\$0
0.00%	\$0	County Service Area 32	0.00%	\$0
0.27%	\$83	Goleta Sanitation District	0.00%	\$0
0.00%	\$0	Goleta Water District	0.00%	\$0

¹ Based on Auditor-Controller provided total assessed value of \$3,075,532, property taxes of \$30,755. Columns do not balance due to rounding. Balance of property tax is allocated to independent special districts and schools.

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

Fiscal and Facilities Impacts:

The parcels subject to the reorganization have a total assessed value of approximately \$3,075,532 of which the 1% value is \$30,755. The property tax allocated to the County Fire Protection District, Goleta Sanitary District and County Service Area 3 will be reallocated to the City in an amount equal to a tax allocation of 13.11810176 percent and to the County General Fund in an amount equal to a tax allocation of 25.24391206 percent. The difference between the City matching property tax allocation and the negotiated tax allocation is 0.73044273 percent. Currently, this is about \$225 per year. The rationale behind this methodology is that the City of Santa Barbara would become the provider of municipal services and the County will continue to support other beneficial services.

Attachments:

- A. CIENEGUITAS REORGANIZATION MAP 1 – Parcels relationship to City of Santa Barbara
- B. CIENEGUITAS REORGANIZATION MAP 2 – Parcels relationship to the County Fire Protection District
- C. LAFCO SUBMISSION PACKET #12-4 – CIENEGUITAS REORGANIZATION
- D. A RESOLUTION PROVIDING FOR A NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES PERTAINING TO THE CIENEGUITAS REORGANIZATION (LAFCO #12-4), AN ANNEXATION TO THE CITY OF SANTA BARBARA AND DETACHMENT FROM THE SANTA BARBARA COUNTY FIRE PROTECTION DISTRICT, GOLETA WATER DISTRICT, GOLETA SANITATION DISTRICT, COUNTY SERVICE AREA 3 AND COUNTY SERVICE AREA 32

Special Instructions:

Please provide a signed copy of the Board Resolution to the Auditor-Controller.

Authored by:

Dennis Bozanich, Assistant to the County Executive Officer, 568.3400

CC:

Robert Geis, Auditor-Controller

Michael Dyer, Fire Chief

Robert Braitman, Executive Officer, Local Agency Formation Commission