



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: June 19, 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 Hope Avenue Reorganization Annexation
with the City of Santa Barbara (LAFCO 12-3)

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

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 County Fire Protection District and County Service Area 32.
- b) Approve a Memorandum of Agreement between the City of Santa Barbara and the County of Santa Barbara regarding the transfer of Regional Housing Need Allocation (RHNA) housing units pertaining to the Hope Avenue Reorganization Annexation.
- c) 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 Hope Avenue Reorganization: Annexation to the City of Santa Barbara and detachment from the County Fire Protection District and County Service Area 32. The County and the City engaged in tax exchange negotiations that ended in an agreement to split the difference between the property taxes allocated to the Fire Protection District and the matching City Tax Rate Allocation (TRA) and transfer

the parcel's proposed housing units from the County to the City for determining jurisdictional Regional Housing Needs Allocation (RHNA) compliance.

This item is being placed on the agenda as 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 item has been tentatively scheduled by LAFCO to be heard at the scheduled July 5, 2012 hearing. The Board adopted policy (July 17, 2007) to include the negotiation of housing units as part of the tax exchange agreement required for annexations is applicable to this annexation since housing is proposed to be built as part of this annexation.

Background:

The LAFCO Proposal Justification Questionnaire for Annexations, Detachments and Reorganizations states the City of Santa Barbara (City) is requesting annexation of Assessor Parcel Numbers (APNs) 057-170-012 located at 457 North Hope Avenue, and 057-191-011 and 057-191-014 located at 455 North Hope Avenue, Santa Barbara, CA 93110, as well as detachment from the County Fire Protection District, County Service Area Number 32, and the Goleta Water District.

APN 057-170-012- The 2.92 acre parcel addressed as 457 North Hope Avenue is located within the sphere of influence of the City of Santa Barbara. On October 6, 2011, a Tentative Subdivision Map and Modification was approved by the City Planning Commission and on December 6, 2011, a Rezone and General Plan Amendment were approved by the City of Santa Barbara. All approvals are contingent upon approval of annexation to the City of Santa Barbara.

APN 057-191-014; & 057-191-011- Both addressed as 455 North Hope Avenue do not include any development requests. The owner of these two parcels waived the right to protest annexation of these lots at the time their home was connected to City sewer in 1989, following a septic failure. Because of this agreement, the LAFCO Executive Director encouraged the inclusion of these properties in the proposed annexation of 457 North Hope Avenue.

The proposed annexation is being filed to transfer and/or extend municipal services provided by the City to the property, including City land use regulation and sewer service. Annexation of APN 057-170-012 is requested because the parcel lies within an unincorporated "island" surrounded by the City and the City recently approved a Tentative Subdivision Map and Modification, a Rezone, and a General Plan Amendment, contingent upon approval of the annexation. As described, the parcel would be subdivided into nine lots. Additionally, APNs 057-191-014 (driveway) and 057-191-011 (single family dwelling) are developed parcels proposed for annexation due to a 1989 Out of Agency Service Agreement.

In negotiations between the City of Santa Barbara and the County, the parties agreed to split the difference (1.46%) between the County Fire Protection District's allocated percentage (13.92%) and the matching City allocated percentage (12.46%) and moving the equivalent RHNA units from County to City. The County General Fund will receive 50% of the difference (0.73%) for property tax allocations of 23.85% in consideration of responsibility for ongoing services and the loss of other revenues (e.g. sales tax, real property transfer tax, etc.) The City will receive 50% of the difference (0.73%) as

additional property tax revenue in consideration of the increased utilization of city infrastructure and services for property tax allocations of 13.19%. No Community Service Area (CSA) 32 assessments are collected and were not discussed during negotiations between the County and the City. Using the current property tax allocations as an example, the proposed tax exchange agreement would have the following impacts to project-affiliated jurisdictions:

- -\$2,769 for the County Fire Protection District,
- +\$2,624 for the City of Santa Barbara plus any future tax increment
- +\$145 for the County General Fund plus any future tax increment, and
- \$0 for Community Service Area 32.

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.

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 nine units of RHNA from the County to the City. A Memorandum of Agreement (MOA) is proposed for Board approval outlining the RHNA shift. If approved by the Board of Supervisors, the Memorandum of Agreement will be transmitted to SBCAG for inclusion in their RHNA methodology.

An important note, the development plan for the proposed annexation does not provide affordable units on site, but is instead paying an in-lieu fee of \$15,500/lot (\$139,500) to the City of Santa Barbara. If the annexation is completed, the County would not be transferring any affordable RHNA to the City nor receive any portion of the in-lieu fees the developer will be paying to the City.

Fiscal and Facilities Impacts:

The parcels subject to the reorganization have a total assessed value of approximately \$1,989,293 of which the 1% value is \$19,893. The property tax allocated to the County Fire Protection District will be reallocated to the City in an amount equal to a matching tax rate allocation plus 50% of the difference between the 12.46327471 percent (the City's matching tax rate area) and the current 13.91822702 percent Fire Protection District tax rate allocation. The remaining 50% of the tax rate allocation from the Fire Protection District share will be allocated to the County General Fund. Currently, this is about \$145 per year. The rationale behind this methodology is that the City of Santa Barbara would become the service provider of fire suppression services to the parcel being annexed and bear the future cost of providing this service.

Attachments:

- A. HOPE AVENUE REORGANIZATION MAP 1 – Parcels relationship to City of Santa Barbara
- B. HOPE AVENUE REORGANIZATION MAP 2 – Parcels relationship to the County Fire Protection District
- C. LAFCO SUBMISSION PACKET #12-3 – HOPE AVENUE REORGANIZATION

- D. A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA BARBARA IN THE MATTER OF PROVIDING FOR A NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUES PERTAINING TO THE HOPE AVENUE REORGANIZATION (LAFCO #12-3), AN ANNEXATION TO THE CITY OF SANTA BARBARA AND DETACHMENT FROM THE SANTA BARBARA COUNTY FIRE PROTECTION DISTRICT AND COMMUNITY SERVICE AREA 32 (Recommendation a)
- E. A MEMORANDUM OF AGREEMENT OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA BARBARA AND THE CITY OF SANTA BARBARA IN THE MATTER OF RE-ALLOCATING REGIONAL HOUSING NUMBER ALLOCATIONS ASSOCIATED WITH THE HOPE AVENUE REORGANIZATION (Recommendation b)

Authored by:

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cc:

Robert Geis, Auditor-Controller

Michael Dyer, Fire Chief

Terry Contreras, Clerk, Santa Barbara County Association of Governments