



**BOARD OF SUPERVISORS
AGENDA LETTER**

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

Agenda Number:

Submitted on:
(COB Stamp)

Department Name: County Executive Office
Department No.: 012
Agenda Date: April 7, 2026
Placement: Departmental Agenda
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director: Mona Miyasato, County Executive Officer
Contact: Wade Horton, Assistant County Executive Officer
SUBJECT: Richards Ranch Reorganization (LAFCO #24-08) – Tax Exchange Arbitration

DocuSigned by:
Mona Miyasato
41846F5C725B460...

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file a report on the outcome of the advisory arbitration regarding a property tax exchange between the County of Santa Barbara and the City of Santa Maria (Attachment A) as required by the proposed Richards Ranch Reorganization – Annexation to the City of Santa Maria (Local Agency Formation Commission (LAFCO) File #24-08);
- b) Reject the property tax exchange offer selected by the contracted arbitrator, based upon certain findings of fact in Attachment B to the Board Letter; and
- c) Find that the proposed actions are administrative activities of the County, which will not result in direct or indirect changes to the environment and therefore are not a “project” as defined for the purposes of the California Environmental Quality Act (CEQA) under State CEQA Guidelines Section 15378(b)(5).

Summary Text:

In accordance with state law and following the City of Santa Maria’s application to the Local Agency Formation Commission (LAFCO) for the Richards Ranch Reorganization – Annexation to the City of Santa Maria, LAFCO File #24-08, County staff have negotiated in good faith with City staff to attempt to reach agreement on an exchange of property tax revenues. Most recently, both entities entered into advisory arbitration. On March 3, 2026, the arbitrator selected the City’s offer to recommend to

the Board and the Santa Maria City Council (Attachment A). If either entity rejects the offer, the annexation application cannot be approved by LAFCO.

Based on the findings of fact identified in this Board Letter and Attachment B, County staff recommend that the Board reject the City's offer for property tax exchange. The City's offer is:

1. Financially problematic, providing insufficient property tax revenue to cover estimated expenditures and lost revenue from other sources.
2. Lower than the assumptions used in both contracted fiscal analyses (Attachments C and D).
3. Lower than the allocation percentages to the County in existing Tax Rate Areas (TRAs) in the City, including the "Potential TRA Match" provided by the County Auditor-Controller.

If the City's offer for tax exchange is approved by the Board and City Council and the annexation application is approved, the County anticipates an annual net loss of \$212,100. This estimate does not account for undercalculation of fire protection costs (which would increase the loss to \$309,500 annually) or for the loss of one-time development impact mitigation fees for fire protection and public works purposes (estimated at \$5.9 million). With a clearly negative financial outcome, staff recommend the Board reject the City's offer.

Discussion:

Negotiations for Property Tax Exchange and Outcome of Advisory Arbitration

In February 2025, the City of Santa Maria submitted File #24-08 to the Local Agency Formation Commission (LAFCO) to annex the parcels known as Richards Ranch or Key Site 26 from the County. Section 99 of the California Revenue and Taxation Code requires an affected county and city to negotiate a property tax exchange upon annexation to share limited property tax revenues. LAFCO cannot issue a certificate of filing approving the annexation until the County and City submit adopted resolutions agreeing to accept the tax exchange.

The County and City commenced negotiations for an exchange of property tax revenues in April 2025. Staff reviewed a fiscal analysis commissioned by the Richards Ranch developer (Attachment C - Natelson Dale Fiscal Analysis), independently commissioned a second fiscal analysis (Attachment D - Willdan Fiscal Analysis), and negotiated through July 2025, but could not reach agreement. The County and City then participated in a mediation on August 21, 2025 and could not reach agreement. Both entities agreed to two extensions of the negotiation period, first to October 31, 2025 and then to April 30, 2026.

Per state law, the County and City proceeded to advisory, non-binding arbitration, which took place on February 19, 2026. California Revenue and Taxation Code Section 99(e)(1)(C) provides that each entity must submit their last and best offer at the conclusion of the arbitration hearing and the arbitrator must select one of the offers. On March 3, 2026, the County was notified that the arbitrator recommended the City's offer. The City's offer included the following provisions:

1. The City and County will each receive fifty (50) percent of the Santa Barbara County General Fund portion of the parcel tax. Each entity will receive \$0.0720695 cents out of each assessed dollar following annexation.

2. The City and County will each receive fifty (50) percent of the Santa Barbara County Fire Protection District portion of the parcel tax. Each entity will receive \$0.0844675 cents out of each assessed dollar following annexation.^{1,2}

The City's application to LAFCO proposed detachment of several small dependent and independent districts: Community Service Areas (CSA) 5 and 32, North County Lighting District, and Mosquito and Vector Management District of Santa Barbara County (see Figure 4). These districts combined collect 1.54502436% of the property tax revenue for Richards Ranch. Based on the language in the City's offer, the County assumes that the revenue from these districts would accrue to the County. Therefore, the final recommended offer is: 17.19872436% to County General Fund and 15.65370000% to the City.

The County's last and best offer proposed that 25% of the property tax allocation for the Santa Barbara County General Fund and 25% of the property tax allocation for the Santa Barbara County Fire Protection District be apportioned to the City. The County's offer directed the allocation from CSA 5 to the County and the allocations from the North County Lighting District and Mosquito and Vector Management District of Santa Barbara County to the City.³ This would have resulted in an allocation of: 24.13648559% to County General Fund and 8.71534542% to the City.

County staff also proposed provisions based on direction given by the Board at the July 1, 2025 meeting (see Attachment E), as follows:

- The City would have responsibility for widening of Union Valley Parkway from State Route 135 to Bradley Road.
- The City would assume the right-of-way entitlements and have responsibility for maintenance of: a) Union Valley Parkway from State Route 135 to 50 feet east of Hummel Drive, b) Orcutt Road from Mooncrest Lane to Foster Road, and c) Hummel Drive from 50 feet south of Union Valley Parkway to Foster Road, as well as associated intersections. The City would be responsible for all transportation facilities, including roads, drainage, hardscape, landscaping, bicycle and pedestrian facilities, complete streets elements, traffic signals, and road signs. The County would complete construction of the traffic signal at the intersection of Union Valley Parkway and Hummel Drive and then the City would assume maintenance of the traffic signal.
- The City would pay to the County \$1,858,034 as compensation for public works projects funded by the County, including a traffic signal at the intersection of Union Valley Parkway and Hummel Drive (\$1,250,000), bicycle pathways (\$282,426), and median improvements (\$325,608).
- The City would pay to the County \$487,932 as partial compensation for the development of Fire Station 25.
- The City agrees to endeavor to provide water for new development within the Orcutt Community Plan Area, to the extent that water is available.

¹ The arbitrator's recommendation included slightly different percentage allocations on page 2 and on page 4 of the document. Page 2 figures are noted above. Page 4 figures are: \$0.07206603365 from General Fund and \$0.0844679996 from Fire Protection. The County is presuming to use the percentages on page 4 to correspond with County Auditor-Controller requirements, if the tax exchange is approved.

² The City's application to LAFCO includes detachment from the County Fire Protection District. County staff assume that if LAFCO approves the detachment, the County Fire Protection District would not receive its own property tax allocation. County revenue would be aggregated in the General Fund and the Board of Supervisors would reallocate dollars to County Fire through the budget process, to account for services that County Fire would continue to provide to the annexed area.

³ The property tax allocation for Community Service Area (CSA) 32 at the time of the City's application was 0% (see Figure 4). CSA 32 was dissolved by LAFCO on February 5, 2026.

- The Laguna County Sanitation District would provide sewer/wastewater services for new development within the Orcutt Community Plan Boundary as well as other territory logically serviced by the Laguna County Sanitation District that meets applicable requirements, to the extent that sewer capacity exists.

If the tax exchange is approved, the County intends to pursue a Regional Housing Needs Allocation (RHNA) transfer with the City as well.

Although previous property tax exchange agreements have included similar provisions to those proposed by the County (such as the Summit View Reorganization in 2015, which included exchange of development mitigation impact fees and changes in road maintenance responsibilities), the arbitrator did not recommend those provisions to be included in the tax exchange agreement.

If both the Board and the City Council accept the recommended offer, those resolutions are submitted to LAFCO as the property tax exchange agreement. LAFCO would then proceed with hearing the annexation application. If the Board or the City Council vote to reject the offer, they must do so in a public hearing and make written findings of fact as to why the recommended offer was not accepted. If either, or both, reject the offer, there is no property tax exchange agreement and LAFCO cannot approve the application.

Recommendation and Findings of Fact

Staff recommend that the Board reject the City's offer for property tax exchange, which was selected by the arbitrator as the recommended offer. Although County staff have negotiated in good faith and attempted to reach agreement, the City's offer is financially disadvantageous for the County.

Staff recommend the following findings of fact (also found in Attachment B) as to why the offer should be rejected. The City's proposed property tax allocation to the County is:

1. Financially problematic, providing insufficient property tax revenue to cover estimated expenditures and lost revenue from other sources.
2. Lower than the assumptions used in both contracted fiscal analyses (Attachments C and D).
3. Lower than the allocation percentages to the County in existing Tax Rate Areas (TRAs) in the City, including the "Potential TRA Match" provided by the County Auditor-Controller.

1. The City's proposed property tax allocation to the County is financially problematic, providing insufficient property tax revenue to cover estimated expenditures and lost revenue from other sources.

The City's offer does not provide sufficient revenue for the expenditures the County expects to incur once the Richards Ranch site is developed. Based on the independent fiscal analysis commissioned jointly by the County and City (Attachment D), accounting for revenue from the smaller detaching districts that was not included in the analysis, and using the allocations from the City's offer, the County would net approximately \$212,900 annually from property and sales tax revenue, after estimated expenditures (see Figure 1). However, this calculation omits significant financial issues. The most important of these issues are that the analysis: a) does not account for lost revenues related to the Orcutt Community Facilities District (CFD); b) undercalculates the cost of fire protection services; and c) ignores costs already incurred or anticipated to be incurred by the County for infrastructure improvements in the immediate area.

Orcutt Community Facilities District (CFD). The Orcutt CFD charges annual special taxes to property owners to provide community services and relies on projections of future revenue to ensure service

provision as the area population grows. If the property was developed in the County, the County would expect these parcels to be included in the CFD and the CFD would receive these special taxes. If developed in the City, residents are likely to still use CFD-funded services, such as parks, but the CFD will forego \$425,000 in annual revenue.

Fire protection. Historically, fire districts usually detached when annexations occurred because fire protection services would become the responsibility of the annexing city. This model no longer represents the reality of fire service in the County. As of 2025, fire departments within the County agreed to drop their boundaries and now the closest resource responds first to a call, regardless of where the incident is located. As a result, both the City and the County may provide fire protection services to Richards Ranch, depending on the proximity of their resources. Once Fire Station 25 is completed, the County estimates that three out of five (60%) fire suppression vehicles that respond to an incident at Richards Ranch will be County vehicles.⁴ The fiscal analysis discounted the County's per capita fire expenditures by 50%, while leaving the City's at 100%. Estimating the County's fire costs at 100% of per capita expenditures, to match the projection for the City, would add \$97,400 to the County's annual fire protection costs, above what was included in the analysis. Further, if the property was developed in the County, construction of Fire Station 25 would have been partially supported by \$488,000 in one-time revenue from development impact mitigation fees.

Infrastructure improvements. Similarly to the CFD, the Orcutt Transportation Improvement Plan (OTIP) relies on development impact mitigation fees from properties developed in the County to complete an area-wide service plan. The Department of Public Works is currently constructing a traffic signal at the Richards Ranch location and has plans for widening Union Valley Parkway and installation of medians and bikeways. These projects would have been partially supported by \$5.4 million in one-time revenue from development impact mitigation fees.

As illustrated in Figure 1, with the City's offer the County anticipates an annual net loss of \$212,100. This estimate does not account for undercalculation of fire protection costs (which would increase the loss to \$309,500 annually) or for the loss of one-time development impact mitigation fees for fire protection and public works purposes (estimated at \$5.9 million). Given this negative financial outcome, staff recommend the Board reject the City's offer.

⁴ The Regional Fire Communications Center SNR6 & SBC25 Study, cited by the City in their arbitration documents, estimated that City Fire would respond to 90% of calls at Richards Ranch. The study was conducted prior to the implementation of centralized dispatch operations and finalized joint response agreements between County Fire and Santa Maria City Fire, relying instead on decentralized data and assumptions that no longer reflect current conditions. Since the RFCC has been operational, dispatching is now based on real-time unit location, availability, and capability through a centralized CAD system, rendering the study's station-based modeling and projections of first-arriving units unreliable. Updated operational realities—including verified proximity advantages of County Fire resources, established Advanced Life Support (ALS) response obligations, and the planned development of Fire Station 25—further alter expected response patterns and were not accounted for in the study. Additionally, the study's broader geographic scope and reliance on assumptions about response agreements overstate Santa Maria City Fire's role in the Richards Ranch area. As a result, the study does not accurately reflect current fire service operations or agreements and should not be relied upon for long-term service projections or property tax allocation decisions related to the Richards Ranch annexation.

	Willdan Analysis GF Property/Fire	County Offer GF Property/Fire	City Offer GF Property/Fire
	75/50 (%)	75/75 (%)	50/50 (%)
Total General Fund Revenue	\$952,450	\$1,054,350	\$842,345
Total Expenditures	\$629,430	\$629,430	\$629,430
Subtotal	\$323,020	\$424,920	\$212,915
Lost Revenue from Orcutt CFD	\$425,000	\$425,000	\$425,000
NET Annual Impact	-\$101,980	-\$80	-\$212,085

Figure 1. Financial Impact of Proposed Property Tax Exchange Scenarios (Percent to County)⁵

2. The City’s proposed property tax allocation to the County is lower than the assumptions used in both contracted fiscal analyses (Attachments C and D).

The negotiation process relied on two fiscal analyses: one from Natelson Dale, commissioned by the developer, and one independent analysis from Willdan, commissioned jointly by the County and City. Both firms used their previous experience with annexations to identify assumptions to inform and facilitate projections of future tax revenue and expenditures for each entity. Both firms used an assumption of 75% of County General Fund and 50% of County Fire Protection District property tax revenue accruing to the County.⁶ While the County’s position is that 50% of Fire is not sufficient for the County’s costs, it agreed with the 75% General Fund number. However, the City’s offer and arbitrator’s selection ignored this research standard.

3. The City’s proposed property tax allocation to the County is lower than the allocation percentages to the County in existing Tax Rate Areas (TRAs) in the City, including the “Potential TRA Match” provided by the County Auditor-Controller.

Existing Tax Rate Areas (TRAs) in the City have quite consistent allocations between the County and City. County staff performed an analysis of 12 existing TRAs in the City. Two TRAs, which were annexed between 1995 and 1997, allocate 0% to County General Fund. The remaining 10 TRAs allocate an average of 19.62% to County General Fund and 10.14% to the City. Further, in their reportback to LAFCO, the Auditor-Controller provided a “potential TRA match” – a current TRA in the City that has the same combination of property tax categories. If more than one match is available, the Auditor-Controller recommends the TRA that is the closest geographically to the area. That potential TRA match (TRA 003021) allocates 19.91% to County General Fund and 10.38% to the City. The adjusted arbitrator’s recommendation was 17.19872436% to County General Fund and 15.65370000% to the City; this allocation to the County General Fund would be well below both the “potential TRA match” provided by the Auditor-Controller and the average described above. The existing TRA allocations underscore the level of service that the County provides for incorporated

⁵ The table includes revenue from all smaller detaching districts as accruing to the County in the Willdan Analysis and City Offer columns. The County Offer column includes revenue from Community Service Area 5 as accruing to the County and revenue from other smaller detaching districts accruing to the City, consistent with the County’s offer.

⁶ Both Natelson Dale and Willdan phrased their analyses as: the City would receive 25% of County General Fund and 50% of County Fire Protection District property tax revenue.

areas and the negotiated TRA should not include a lower amount for the County than current practice for property tax allocation in the City.

Background:

Timeline

The timeline table shows deadlines required by state code for negotiation of a tax exchange, as well as actual dates of steps in the process.

February 14, 2025	LAFCO provided notice of filing for the City of Santa Maria’s annexation application
March 28, 2025	Auditor-Controller (AC) submitted report of current property tax allocations (45 days after notice of filing)
May 27, 2025	Initial deadline for completion of negotiations, including approval of the agreement by the Board of Supervisors and the Santa Maria City Council (60 days after AC report)
June 26, 2025	Extended deadline for negotiations, as permitted by state law (90 days after AC report)
July 26, 2025	Deadline for negotiations, if County and City jointly enter into a contract for a fiscal analysis (120 days after AC report)
August 21, 2025	Mediation
August 25, 2025	Deadline for completion of fiscal analysis, mediation, and arbitration phases if needed (150 days after AC report); If no agreement by July 26 and the fiscal analysis period is not extended, County and City must proceed with mediation; If no agreement is reached in mediation, County and City must proceed with arbitration
August 25, 2025	County and City agree to an extension to October 31, 2025
October 31, 2025	County and City agree to an extension to April 30, 2026
February 19, 2026	Arbitration hearing
March 3, 2026	Arbitration recommendation
April 7, 2026	Board hearing to consider arbitrator’s recommended offer
April 30, 2026	Extension agreed to by County and City expires
TBD	LAFCO hearing on annexation application – pending receipt of tax agreement approved by Board of Supervisors and Santa Maria City Council

LAFCO Application

The Richards Ranch Reorganization – Annexation to the City of Santa Maria (LAFCO File #24-08) project site encompasses 43.67 acres of four contiguous parcels. The property is within the Orcutt Community Plan area and is east of the City’s southeastern city limits and within the City’s Sphere of Influence. The reorganization application includes annexation to the City of Santa Maria and detachment from:

- County Fire Protection District
- County Service Area 32 – inactivated in 2011, dissolved by LAFCO on February 5, 2026
- County Service Area 5 – maintains approximately 104 acres of parks and open space, including a portion of Waller Park
- North County Lighting District – provides street lighting and energizes 2,816 streetlights in the unincorporated Casmalia, Los Alamos, Mission Hills, Orcutt, Santa Maria, and Vandenberg Village areas
- Mosquito and Vector Management District of Santa Barbara County – protects the public’s health and safety from disease

The proposed development will include residential and commercial uses. Descriptions of these uses are detailed in Figures 2 and 3.

Residential Project Description
Richards Ranch Fiscal Impact Analysis

Type	Units	Value/DU	Total Value	HH Size	Tot Residents
Apartments					
1-BR	120	410,032	49,203,819	1.5	180
2-BR	176	503,221	88,566,875	2.5	440
3-BR	<u>88</u>	<u>615,048</u>	<u>54,124,201</u>	<u>3.5</u>	<u>308</u>
Total/Mean	384	499,726	191,894,895	2.42	928
Townhomes					
	<u>100</u>	<u>600,000</u>	<u>60,000,000</u>	<u>3.75</u>	<u>375</u>
Grand Total/Mean	484	520,444	251,894,895	2.69	1303

Sources: Willdan Financial Services, Inc.; The Natelson Dale Group, Inc.

Figure 2. Residential Project Description

**Commercial Project Description
Richards Ranch Fiscal Impact Analysis**

Type	Sq. Feet	Employees/ 1K sf	Employees	AV/sf	Assessed Value
Commercial Strip Center	93,863	2	188	410	38,483,830
Mini Storage	<u>101,265</u>	<u>N/A</u>	<u>3</u>	<u>150</u>	<u>15,189,750</u>
Total/Mean	195,128		191		53,673,580

Source: The Natelson Dale Group, Inc.

Figure 3. Commercial Project Description

Current Property Tax Allocation

The existing property tax allocations and collections for the parcels that would be reorganized are in Figure 4 below (information provided by the Auditor-Controller). TRA refers to Tax Rate Area. The assessed property values for these parcels total \$6.5 million for Fiscal Year 2024-25, amounting to tax collections of \$65,000 (1% property tax). Assessed values and tax collections would increase substantially once the property is developed. Districts in bold, with the exception of the Santa Barbara County General Fund, are those that would detach if LAFCO approves the City’s application. In the property tax exchange agreement, the County negotiates for the share of property tax that will be allocated to the County General Fund, as well as on behalf of the other districts that are proposed for detachment.

TRA 080-041:

Fund	Fund Description	TRA Allocated %	1% Allocated Taxes	
0001	Santa Barbara County General	14.41320673%	\$9,372	} Funds under B.O.S.
2140	CSA 5	0.65638060%	\$427	
2230	CSA 32	0.00000000%	\$0	
2280	SB County Fire Protection District	16.89359992%	\$10,985	
2400	SB County Flood Control/Water Conservation	0.26668822%	\$173	
2510	Orcutt Flood Zn 3	0.54661686%	\$355	
2670	North County Lighting District	0.87015107%	\$566	
2870	Laguna County Sanitary	0.00000000%	\$0	
3050	Santa Barbara County Water Agency	0.34308028%	\$223	
3210	Santa Maria Public Airport District	1.11441105%	\$725	
3320	Santa Maria Cemetery District	0.58002512%	\$377	
4160	SB Mosquito/Vector District	0.01849269%	\$12	
4500	Cachuma Resource Conservation District	0.04800198%	\$31	
7401	Orcutt Union Elem District General	23.57662285%	\$15,331	
8301	Santa Maria Jt HS District General	19.53398141%	\$12,702	
9401	Allan Hancock CC District General	5.19663474%	\$3,379	
9801	County School Service Fund	3.59116535%	\$2,335	
9802	Education Revenue Augmentation	12.35094113%	\$8,031	
TOTAL		1.00000000	\$65,025	

Figure 4. Tax Rate Area 080-041. Current property tax allocation for Richards Ranch.

Source: County of Santa Barbara Auditor-Controller Reportback to LAFCO, March 28, 2025

Fiscal Analysis:

If the Board rejects the recommended offer, the annexation application cannot be approved and therefore no changes to County tax revenues or expenditures will occur. If the City’s offer for tax exchange is approved by the Board and City Council and the annexation application is approved, the County anticipates an annual net loss of \$212,100. This estimate does not account for undercalculation of fire protection costs (which would increase the loss to \$309,500 annually) or for the loss of one-time development impact mitigation fees for fire protection and public works purposes (estimated at \$5.9 million).

Special Instructions:

Please forward a minute order to ctobin@countyofsb.org.

Attachments:

Attachment A – Arbitrator's Recommended Offer - City of Santa Maria v. County of Santa Barbara

Attachment B – Findings of Fact for Rejection of Arbitrator's Recommended Offer

Attachment C – Natelson Dale Fiscal Analysis

Attachment D – Willdan Fiscal Analysis

Attachment E – July 1, 2025 Board Action on Richards Ranch Tax Exchange Negotiations

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Authored By:

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