

TO: JAMES L. APP, CITY MANAGER

FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: PROPERTY TAX NEGOTIATION, ANNEXATION # 85 (HUNTER)

DATE: NOVEMBER 18, 2003

Needs: For the City Council to consider a negotiated exchange of property tax revenue for the Hunter Annexation (Annexation # 85). The subject property is approximately 220 acres located south of Highway 46 East; the area is both south and east of the current City boundaries and illustrated in the attached orientation map.

Facts:

1. Properties which are subject to a jurisdictional change, i.e., annexation, alter service area responsibilities for the affected jurisdictions.
2. Changes to a jurisdiction's service area responsibilities may impact operating expense and/or income.
3. As a prerequisite to any jurisdictional change, Revenue & Taxation Code Section 99 requires the affected jurisdictions to negotiate an exchange of property tax revenue.
4. The County of San Luis Obispo has negotiated a master property tax exchange formula with some cities in the County.
5. The City of Paso Robles is not party to the master agreement as the exchange rates were not deemed appropriate to, or sufficient to provide for, property based/related services for newly annexed properties.
6. The County asserts that their operating costs do not necessarily diminish as a consequence of any particular annexation, therefore continuation of their pre-annexation share of property tax revenue income is required.
7. A negotiation period between the City and County of San Luis Obispo has been initiated and is scheduled to extend from October 28, 2003 through December 28, 2003. A copy of the County's Notice to Commence Negotiations is attached.
8. The subject property is designated in the City's General Plan as Parks and Open Space (POS). A pre-zone to the same category is currently underway. The terms of the County's proposed agreement are that the City will receive 11.3647 percent of annual tax increment revenues and none of the current tax base.

**Analysis
and
Conclusion:**

When a property is annexed into the City, the responsibility and costs for provision of property based services shifts to the City. Property taxes should be used to offset the cost to provide those property based services. On average, the City receives 17% of each property tax dollar for properties already within its jurisdiction. These revenues partially offset the cost of property based services.

Based on the POS General Plan and the same proposed zoning of the subject property, the terms of a proposed agreement are that there will be no shift of the base and that the City would receive 1/3 of the future property tax increment. Should the City and County fail to reach a property tax agreement, the Local Agency Formation Commission (LAFCO) may not continue annexation proceedings.

Attached is a copy of the County's transmittal and staff memo to the Board.

**Policy
Reference:**

Revenue & Taxation Code Section 99.

**Fiscal
Impact:**

The agreement as presented by the County would provide no transfer of property tax base revenues and additionally 11.3647 percent of the future property tax increment.

Options:

- a. Adopt Resolution Accepting Negotiated Exchange of Property Tax Revenue and Annual Tax Increment between the County of San Luis Obispo and the City.
- b. Reject Proposed Exchange Rate and Appoint an Ad Hoc Council Committee to renegotiate.
- c. Amend, modify or reject options above.

Attachment:

Resolution Accepting Negotiated Exchange of Property Tax Revenue

h:\bob\lafco\Hunter\property tax rpt to cc 18 Nov 03

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
ACCEPTING NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUE AND
ANNUAL TAX INCREMENT BETWEEN THE COUNTY OF SAN LUIS OBISPO
AND THE CITY OF PASO ROBLES - ANNEXATION NO. 85 (HUNTER)

WHEREAS, in the case of jurisdictional change other than a city incorporation or district formation which will alter the service area or responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that the amount of property tax revenue to be exchanged, if any, and the amount of annual tax increment to be exchanged among the affected local agencies shall be determined by negotiation; and

WHEREAS, when a city is involved, the negotiations are conducted between the City Council and the Board of Supervisors of the County; and

WHEREAS, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and annual tax increment and requires that each local agency transmit a copy of each such resolution to the Executive Officer of the Local Agency Formation Commission; and

WHEREAS, no later than the date on which the certificate of completion of the jurisdictional change is recorded with the County Recorder, the Executive Officer shall notify the County Auditor of the exchange of property tax revenues by transmitting a copy of said resolutions to him and the County Auditor shall thereafter make the appropriate adjustments as required by law; and

WHEREAS, the negotiations have taken place concerning the transfer of property tax revenues and annual tax increment between the County of San Luis Obispo and the City of Paso Robles pursuant to Section 99(a)(1) for the jurisdictional change designated as Annexation No. 85 to the City of Paso Robles (Hunter); and

WHEREAS, the negotiating party, to wit: Dan Buckshi, Administrative Analyst, County of San Luis Obispo, on behalf of the County and James L. App, City Manager, on behalf of the City of Paso Robles have negotiated the exchange of property tax revenue and annual tax increment between such entities as hereinafter set forth; and

WHEREAS, it is in the public interest that such negotiated exchange of property tax revenues and annual tax increment be consummated.

NOW, THEREFORE BE IT RESOLVED AND ORDERED by the City Council of the City of El Paso de Robles, State of California, as follows:

1. That the recitals set forth above are true, correct and valid.
2. That the City of Paso Robles agrees to accept the following negotiated exchange of base property tax revenues and annual tax increment: No base and 11.3647 percent of the incremental property tax revenue shall be transferred from the County of San Luis Obispo to the City of Paso Robles.
3. Upon receipt of a certified copy of this resolution and a copy of the recorded certificate of completion, the County Auditor shall make the appropriate adjustments to property tax revenues and annual tax increments as set forth above.

4. That the City Clerk is authorized and directed to transmit a certified copy of the resolution to the Executive Officer of the San Luis Obispo Local Agency Formation Commission who shall then distribute copies in the manner prescribed by law.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 18th day of November 2003 by the following vote:

AYES:

NOES:

ABSTAIN:

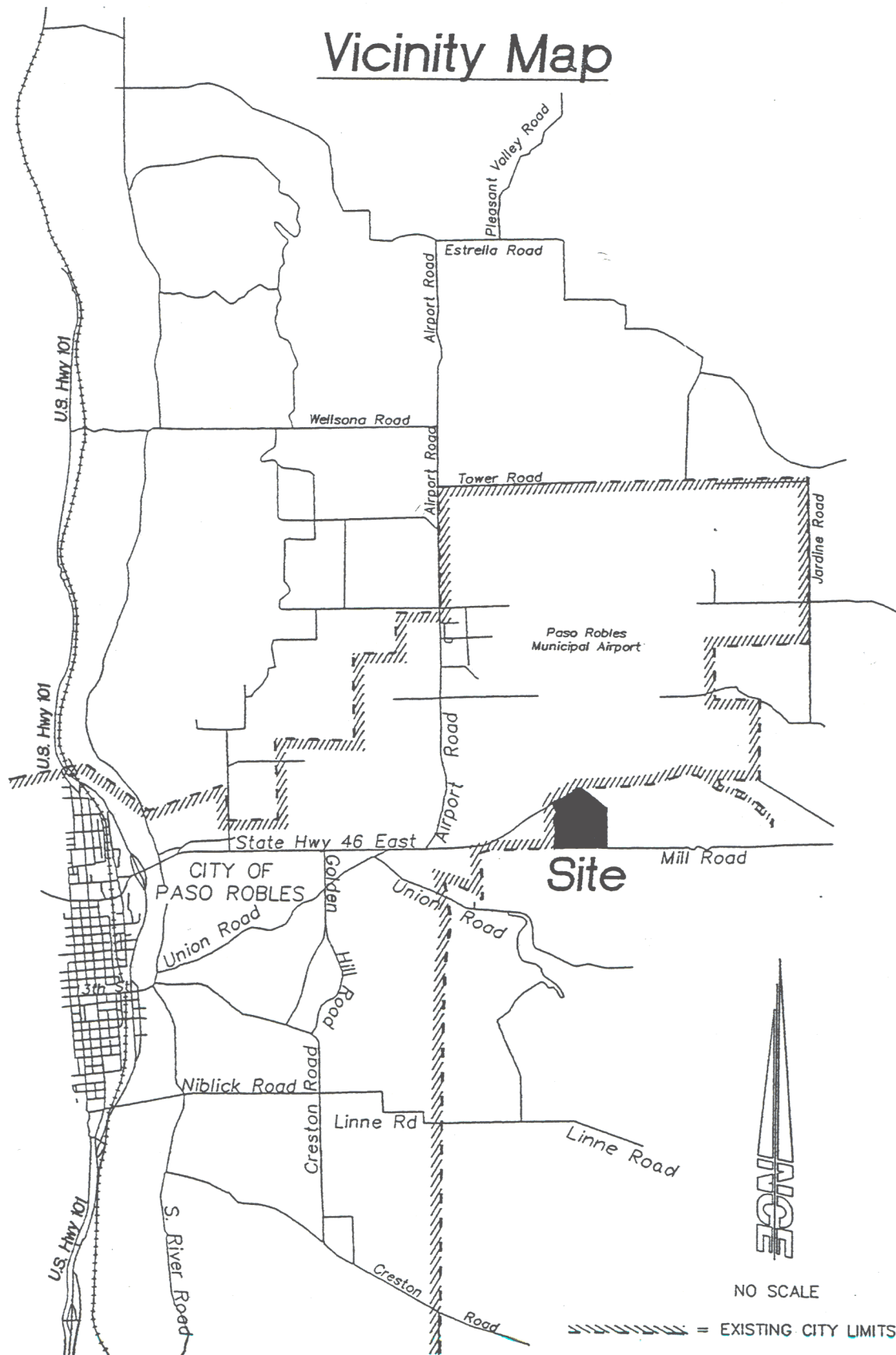
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

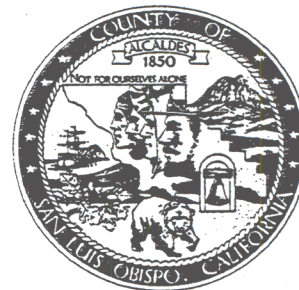
Sharilyn M. Ryan, Deputy City Clerk

Vicinity Map



County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. 370 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011



TO: BOARD OF SUPERVISORS

FROM: DAN BUCKSHI, ADMINISTRATIVE ANALYST

DAVID EDGE
COUNTY ADMINISTRATOR

DATE: OCTOBER 28, 2003

SUBJECT: SUBMITTAL OF A NOTICE TO COMMENCE NEGOTIATIONS FOR THE EXCHANGE OF PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT FOR ANNEXATION NO. 85 TO THE CITY OF PASO ROBLES (HUNTER RANCH GOLF COURSE)

Recommendation

Approve commencement of negotiations for the exchange of property tax revenue for Annexation No. 85 to the City of Paso Robles (Hunter Ranch Golf Course).

Discussion

This request relates to the annexation of approximately 220.34 acres of property zoned Recreation to the City of Paso Robles. The property, developed as golf course, is located on the south side of Highway 46, approximately 3.5 miles east of Highway 101. The purpose of the annexation is to obtain City services, police and fire protection, water and sewer when available, and in order to expand allowable uses in the future. Jurisdictional changes such as this can change service area responsibilities and/or impact operating expenses and revenues. The law requires affected jurisdictions (in the case, the County and the City of Paso Robles) to negotiate an exchange of property tax revenue prior to the Local Agency Formation Commission's approval of the proposed change. A 60-day negotiation period will commence on upon approval of this notice. The notice contains information concerning the amount of revenue generated in the annexation area. The County Administrative Office and the City of Paso Robles will negotiate on behalf of their respective agencies and present a resolution for adoption within the 60-day time frame.

Other Agency Involvement/Impact

The Local Agency Formation Commission has the authority to oversee annexation of property. The property is proposed to be annexed into the City of Paso Robles, therefore, as one of the affected agencies, the City of Paso Robles will participate in the tax exchange negotiations. The Auditor's Office provided the financial analysis.

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Financial Considerations

If negotiations are successful, the County will transfer 11.3647 percent of property tax increment, before the Educational Revenue Augmentation Fund (ERAF) calculation to the City of Paso Robles. There will not be a transfer of base property taxes and all base and annual tax increments for the County Road Fund and the County Library Fund shall remain with the County. The attached notice contains information concerning the amount of revenue generated in the annexation area.

Results

To agree to a fair and equitable exchange of property tax revenue as a result of annexation of property.

Attachments

Notice to Commence Negotiations
Map of proposed annexation

c - Jim App, City of Paso Robles
Marsha Stillman, Auditor-Controller's Office
Paul Hood, LAFCO

**LOCAL AGENCY FORMATION COMMISSION
NOTICE TO COMMENCE NEGOTIATION
FOR TRANSFER OF PROPERTY TAX REVENUE**

Proposed Jurisdictional Change: Annexation No. 85 to the City of Paso Robles (Hunter Ranch)

LAFCO File No: 9-R-03

Purpose of proposal: To obtain police and fire protection services, water and sewer service when available, and to expand allowable uses.

Negotiating Agencies:

City of Paso Robles
County of San Luis Obispo

**Agenda Date for
Start of Negotiations:**

October 28, 2003

Subject Property:

<u>Tax Code Area</u>	<u>Parcel Nos.</u>	<u>Valuation</u>
104-001	015-031-050	4,479,530

Estimated property tax revenue generated within subject property: \$44,795 in fiscal year 2003-2004.

General Fund	\$ 11,167
Air Pollution	30
Roads	250
Library	837
Flood Control	119
Nacimiento Water	128
Paso Cemetery	413
Paso Unified	22,186
SLO Comm College	3,234
County School	1,917
ERAF	4,514
Total	\$ 44,795

Percentage of annual tax increment to be exchanged: 11.3647%.

Negotiation Period: October 28, 2003 to December 28, 2003

Property Tax Exchange effective fiscal year: 2004-2005.

By:



Paul L. Hood, Executive Officer

Date: October 1, 2003

Note: At close of negotiations, each agency shall immediately transmit to the LAFCO Executive Officer a certified copy of the resolution setting forth the amount of property tax revenue to be transferred. For dependent districts, the Clerk of the Board of Supervisors shall transmit a certified copy of the Board's resolution adopted on behalf of both parties. This will allow LAFCO to commence processing of the jurisdictional change.