

TO: JAMES L. APP, CITY MANAGER  
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR  
SUBJECT: PROPERTY TAX NEGOTIATION, ANNEXATION # 86 (OLSEN)  
DATE: JUNE 15, 2004

Needs: For the City Council to consider a negotiated exchange of property tax revenue for the Olsen Annexation (Annexation # 86). The subject property is approximately 241 acres along the City's easterly boundary, located south of Linne Road, west of Hanson Road, and north of an extension of Meadowlark Road. A location map is attached as a part of the County Staff Report.

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 60 days from May 25, 2004. A copy of the Notice to Commence Negotiations is attached.
8. The subject property is residentially zoned. 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 percent of each property tax dollar for properties already within its jurisdiction. These revenues partially offset the cost of property based services.

Based on the residential 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 about 11 percent 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\Olsen\property tax rpt to cc 1 Jun 04

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

*City of P.R.*

(1) DEPARTMENT Administrative Office		(2) MEETING DATE May 25, 2004		(3) CONTACT/PHONE Dan Buckshi (805) 781-5011	
(4) SUBJECT Submittal of a notice to commence negotiations for the exchange of property tax revenue and annual tax increment for Annexation No. 86 to the City of Paso Robles (Olsen).					
(5) SUMMARY OF REQUEST This request relates to the annexation of approximately 241 acres to the City of Paso Robles currently zoned Residential Rural/Agriculture. The property is located on between Linne and Hanson Roads, south of Meadowlark Road, southeast of the City of Paso Robles. The purpose of the annexation is to obtain City services in order to facilitate future development of the property. Jurisdictional changes such as this can change service area responsibilities and/or impact operating expenses and revenues. The law requires affected jurisdictions (in this 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.					
(6) RECOMMENDED ACTION Approve commencement of negotiations for the exchange of property tax revenue for Annexation No. 86 to the City of Paso Robles (Olsen).					
(7) FUNDING SOURCE(S) N/A		(8) CURRENT YEAR COST N/A		(9) ANNUAL COST N/A	
(10) BUDGETED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A <input type="checkbox"/> NO					
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): 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.					
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____					
(13) SUPERVISOR DISTRICT(S) 1st, 2nd, 3rd, 4th, 5th, All			(14) LOCATION MAP <input checked="" type="checkbox"/> Attached <input type="checkbox"/> N/A		
(15) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)			(16) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(17) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A			(18) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		

(19) ADMINISTRATIVE OFFICE REVIEW	<i>OK - Jim Grant</i>
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(5-25-04)*

# 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**  
**DATE: MAY 25, 2004**

**DAVID EDGE**  
COUNTY ADMINISTRATOR

**SUBJECT: SUBMITTAL OF A NOTICE TO COMMENCE NEGOTIATIONS FOR THE EXCHANGE OF PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT FOR ANNEXATION NO. 86 TO THE CITY OF PASO ROBLES (OLSEN)**

## Recommendation

Approve commencement of negotiations for the exchange of property tax revenue for Annexation No. 86 to the City of Paso Robles (Olsen).

## Discussion

This request relates to the annexation of approximately 241 acres to the City of Paso Robles currently zoned Residential Rural/Agriculture. The property is located on between Linne and Hanson Roads, south of Meadowlark Road, southeast of the City of Paso Robles. The purpose of the annexation is to obtain City services in order to facilitate future development of the property. Jurisdictional changes such as this can change service area responsibilities and/or impact operating expenses and revenues. The law requires affected jurisdictions (in this 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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**BOARD OF SUPERVISORS**

May 25, 2004

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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

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B.M.

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

Proposed Jurisdictional Change: Annexation No. 86 to City of Paso Robles (Olsen)

LAFCO File No: 1-R-04

Purpose of proposal: To annex land into the City of Paso Robles. The land is to be used for residential purposes.

Negotiating Agencies:

Agenda Date for  
Start of Negotiations  
May 25, 2004

County of San Luis Obispo  
City of Paso Robles

Subject Property:

<u>Tax Code Area</u>	<u>Parcel Nos.</u>	<u>Valuation</u>
104-001	020-261-018	13,895
104-001	020-261-019	66,702
104-001	020-261-020	163,574
104-001	020-261-022	40,648
104-001	020-261-023	180,914
104-001	020-261-024	165,791

Estimated property tax revenue generated within subject property: \$ 10,799 in fiscal year 2003-2004

GENERAL FUND	\$2,667
AIR POLLUTION CONTROL	7
SPECIAL ROADS # 1	60
COUNTY LIBRARY	200
SLO CO FLOOD CONTROL	28
NACIMIENTO WATER CONS	31
PASO ROBLES CEMETERY	99
PASO ROBLES ELEM	0
PASO ROBLES UNIFIED	5,299
SAN LUIS OBISPO COMM COLL	773
COUNTY SCHOOL SERVICE	458
ERAF	1,078
TOTALS	\$10,700

Percentage of annual tax increment to be exchanged: 11.364700% (before ERAF)

Negotiation Period: May 25, 2004 through July 27, 2004

Property Tax Exchange effective fiscal year: 2005-2006

By: Paul L. Hood  
Paul L. Hood, Executive Officer

Date: 5/10/04

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.

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PROOF OF PUBLICATION

LEGAL NEWSPAPER NOTICES

PLANNING COMMISSION/CITY COUNCIL  
PROJECT NOTICING

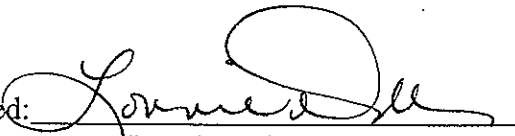
Newspaper: Tribune

Date of Publication: June 2, 2004

Meeting Date: June 22, 2004  
(Planning Commission)  
July 6, 2004  
(City Council)

Project: Prezone 04-001 (Olsen)

I, Lonnie Dolan, employee of the Community Development Department, Planning Division, of the City of El Paso de Robles, do hereby certify that this notice is a true copy of a published legal newspaper notice for the above named project.

Signed:   
Lonnie Dolan

NOTICE OF PUBLIC HEARING  
PRE-ZONE FOR ANNEXATION  
NO. 86 (OLSEN RANCH)

NOTICE IS HEREBY GIVEN that the Planning Commission and City Council of the City of El Paso de Robles will hold Public Hearings to consider Rezone 04-001 filed by Neil Olsen to establish the appropriate zone categories for approximately 241 acres located south of Linne Road, west of Harrison Road, and north of an extension of Meadowlark Road. The existing zoning is Residential Rural / Agriculture in the County of San Luis Obispo. The City's General Plan and the proposed zoning would anticipate a combination of Residential Single Family (RSF) and Residential Multi-Family (RMF), designed to accommodate up to 673 dwelling units (95 multi-family and the balance single family). A Specific Plan overlay would apply to the entire area; a Specific Plan approval would be needed prior to obtaining entitlements to subdivide / develop.

The land use designations were established in conjunction with the General Plan update, which was addressed in an Environmental Impact Report (EIR) that was certified by the Paso Robles City Council December 16, 2003. The Planning Commission and City Council will consider a finding that since the pre-zone is consistent with the adopted General Plan and certified EIR, no further environmental analysis will be required at this point in time. Additional environmental assessment will be undertaken in conjunction with preparation of the Specific Plan.

These hearings will take place in the City Hall/Library Conference Room, 1000 Spring Street, Paso Robles, California, at the hour of 7:30 PM on the following dates, at which time all interested parties may appear and be heard.

Planning Commission: **Tuesday, June 22, 2004;**

City Council: **Tuesday, July 6, 2004**

Comments on the proposed pre-zone may be mailed to the Community Development Department, 1000 Spring Street, Paso Robles, CA 93446 provided that such comments are received prior to the time of the hearing. If you challenge the environmental determination or Pre-zone application in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Planning Commission at, or prior to, the public hearings.

Copies of the staff report pertaining to this project will be available for review at the Community Development Department on the Thursday preceding these hearings (copies are available for purchase for the cost of reproduction). If you have any questions, please contact the Community Development Department at (805) 237-3970.

Bob Lata  
Community Development Director  
June 2, 2004



RESOLUTION NO.

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. 86 (OLSEN)

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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. 86 to the City of Paso Robles (Olsen); and

WHEREAS, the negotiating party, to wit: Dan Buckshi, Assistant Administrative Officer, 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 15<sup>th</sup> day of June 2004 by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

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Frank R. Mecham, Mayor

ATTEST:

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Sharilyn M. Ryan, Deputy City Clerk