

TO: JAMES L. APP, CITY MANAGER
FROM: ED GALLAGHER, COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: PROPERTY TAX NEGOTIATION, ANNEXATION #89 (ERNST)
DATE: DECEMBER 3, 2013

Needs: For the City Council to consider a negotiated exchange of property tax revenue for the Ernst Annexation (Annexation #89). The subject property is a 1.4 acre parcel on the City's western boundary, south of Pacific Avenue at Merryhill Road.

- 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, California 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. This formula is documented in County Resolution 96-158 Establishing a Countywide Policy for Property Tax Exchange Upon Annexation (Attachment 2).
 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. The parcel to be annexed was rezoned R-1 via Ordinance 997 N.S., adopted October 15, to match existing zoning on the property, owned by the same property owner (Ernst Estate) within current City Limits immediately to the east.

8. Since the subject property will be residentially-zoned, per the terms of the County's agreement, the City will receive 33.33 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 about 17 percent of each property tax dollar for properties already within its jurisdiction. These revenues partially offset the cost of property based services.

Should the City and County fail to reach a property tax agreement, the Local Agency Formation Commission (LAFCO) may not continue annexation proceedings.

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 33.33 percent of the future property tax increment.

- Options:
- a. Adopt Resolution No. 13-XXX accepting Negotiated Exchange of Property Tax Revenue and Annual Tax Increment between the County of San Luis Obispo and the City.
 - b. Amend, modify, or reject the foregoing option.

Attachments:

1. Resolution Accepting Negotiated Exchange of Property Tax Revenue
2. County Resolution 96-158 Establishing a Countywide Policy for Property Tax Exchange Upon Annexation

RESOLUTION NO. 13-XXX

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. 89 (ERNST ANNEXATION)

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. 89 to the City of Paso Robles (Ernst); and

WHEREAS, the negotiating party, to wit: Emily Jackson, 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 33.33 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 3rd day of December 2013 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Duane Picanco, Mayor

Caryn Jackson, Deputy City Clerk

IN THE BOARD OF SUPERVISORS
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Tues day April 23, 19 96

PRESENT: Supervisors Evelyn Delany, Ruth E. Brackett, David Blakely, and Chairperson
Laurence L. Laurent

ABSENT: Supervisor Harry L. Ovitt

RESOLUTION NO. 96-158

A RESOLUTION OF THE SAN LUIS OBISPO COUNTY
BOARD OF SUPERVISORS ESTABLISHING
A COUNTYWIDE POLICY FOR PROPERTY
TAX EXCHANGE UPON ANNEXATION

The following resolution is hereby offered and read:

WHEREAS, changing governmental fiscal relationships have required a modification to the earlier approach to determining property tax exchange between cities and the County upon annexation; and

WHEREAS, the extent and nature of this modification has been agreed upon through a process of negotiation between the cities and the County based upon a shared goal of producing a countywide tax exchange agreement that is fair to all parties; and

WHEREAS, a fair agreement is one that respects the following two principles: (1) that the County should not "profit" from annexations, nor should annexations result in a net fiscal loss to the County; (2) that tax exchange practices should not undermine good land use planning by discouraging cities from pursuing logical and appropriate annexations; and

WHEREAS, in order to provide objective data upon which to develop an equitable agreement, the cities commissioned an independent fiscal study of the impact of annexation and development of vacant lands around cities on County government; and

WHEREAS, the results of this study assisted in the development of a new countywide tax exchange agreement; and

WHEREAS, upon adoption of the agreement, the County and the cities will continue to collaborate on related matters of shared importance, including: (a) following adoption by the Board of Supervisors, reconsidering a countywide development impact fee program, which may include appropriate city impact fees for county development occurring in the unincorporated fringe of cities for which a clear City impact can be determined; and (b) support existing policies which encourage urban-like development within the boundaries of cities.

NOW, THEREFORE, BE IT RESOLVED, by the San Luis Obispo County Board of Supervisors:

1. For "raw land" annexations rezoned commercial or industrial, the County retains the existing property tax base and all of the future property tax increment.
2. For annexations rezoned residential, the County retains the existing property tax base and two-thirds (66%) of the future property tax increment.

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3. For commercial and industrial annexation areas already substantially developed, tax exchange will be negotiated on a case-by-case basis between the annexing city and the County to determine an appropriate property tax-sharing arrangement, based upon the principle of fiscal neutrality for the County.
4. For annexations rezoned agricultural, the County retains the existing property tax base and all of the future property tax increment.
5. The County and the cities agree to re-examine the above policies at five-year intervals to assure that they remain appropriate and current for all parties.

Upon motion of Supervisor Delany, seconded by Supervisor Blakely, and on the following roll call vote, to wit:

AYES: Supervisors Delany, Blakely, Brackett, Chairperson Laurent
 NOES: None
 ABSENT: Supervisor Ovitt
 ABSTAINING: None

The foregoing resolution is hereby adopted.

LAURENCE L. LAURENT
 Chairman, Board of Supervisors

ATTEST:

Julie L. Rodewald
 Clerk of the Board of Supervisors
 BY: CHERIE AISPUGH Deputy Clerk
 APPROVED AS TO FORM AND LEGAL EFFECT
 JAMES B. LINDHOLM, JR.
 County Counsel

By: [Signature]
 Deputy County Counsel

Date: 4/16/96

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STATE OF CALIFORNIA)
 COUNTY OF SAN LUIS OBISPO) SS

I, JULIE L. RODEWALD, County Clerk of the above entitled County, and Ex-Officio Clerk of the Board of Supervisors thereof, do hereby certify the foregoing to be a full, true and correct copy of an order entered in the minutes of said Board of Supervisors, and now remaining of record on my office.

Witness, my hand and seal of said Board of Supervisors this 24 day of April 19 96.

JULIE L. RODEWALD
 County Clerk and Ex-Officio Clerk
 of the Board of Supervisors

By: [Signature]
 Deputy Clerk

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