

Lompoc City Council Agenda Item



City Council Meeting Date: October 21, 2014

TO: Honorable Mayor and Members of the City Council

FROM: Patrick Wiemiller, City Administrator
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SUBJECT: Summit View Homes Reorganization – Approval of Negotiated Exchange of Property Tax Revenue and Regional Housing Needs Allocation Transfer

Recommendation:

Staff recommends the City Council:

- 1) Adopt Resolution No. 5956(14), approving the negotiated exchange of property tax revenue between the County of Santa Barbara and the City of Lompoc (Attachment 1); and
- 2) Approve the Regional Housing Needs Allocation (RHNA) Transfer Agreement between the County of Santa Barbara and the City of Lompoc (Attachment 2).

Background:

The proposed Summit View Homes development is on an approximately 10.05-acre parcel located northeast of the intersection of Purisima Road and Harris Grade Road. The property is currently located in an unincorporated area of Santa Barbara County. The developer desires for the property to be annexed into the City of Lompoc prior to development of the site, and a proposed reorganization is currently before the Local Agency Formation Commission (LAFCO), specifically know as LAFCO Proposal #14-1.

Part of the process of annexation of any parcel involves a negotiation between the County and the City over the division of property tax revenue. This negotiation and agreement or settlement must be accomplished prior to annexation, and it determines how the property tax will be shared post-annexation. The outcome of that negotiation is found in Resolution No. 5956(14).

In this particular annexation, the County and the City also came to an agreement over a transfer of the RHNA regarding this particular development. That agreement is submitted for City Council approval as well.

Discussion:

Extensive negotiations have taken place over the property tax revenues regarding the Summit View Homes parcel. There were also financial analyses performed examining both the City's and the County's budgets and break-even points for provision of respective essential services. Discussions and debates also occurred over provisions of services, and particularly over whether City Fire Services or County Fire Services would be the designated first responders for the Summit View Homes development. The City held strong to its position and policy of being the first responder for all lands within the City limits.

Historically, annexations of land into the City have yielded between 14% and 18% for the City of the 1% property tax. A financial consultant's examination of the current City budget identified an operational break-even point of 11%. (This amount does not take into account targeted reserve levels or capital program needs.) In the course of the negotiations, after arguing for lower amounts, the County held firmly that the City's portion of the property tax allocation should be no higher than 11%. At that point, the City initially was prepared to proceed to mediation and ultimately arbitration, if necessary, in order to reach what City staff felt would be a more favorable and equitable tax share.

However, the mediation and arbitration process would have prolonged the annexation process because the tax share settlement would need to be finalized prior to annexation action by LAFCO. The developer desired to avoid such delays, and offered to make up any tax revenue shortfall to the City via the formation of a Community Facilities District or similar vehicle, which staff recommends becomes perfected within a development agreement between the City and the developer.

Staff recommends approval at the 11% level, only because of the specific facts in this specific and peculiar case:

- Because of the relatively small acreage involved in the annexation, the costs to mediate and arbitrate a tax share settlement would consume an extremely high proportion of future tax revenues;
- Further time delays in the annexation are not desired; and
- The developer is willing to supply a revenue source to compensate for lost tax revenue.

In addition to the tax share agreement, the City and the County also agreed to relieve the County of a portion of the RHNA requirements for which the County is currently responsible. The agreement submitted for City Council approval transfers the responsibility of one very low-income category unit and one low-income category unit from the County to the City.

Fiscal Impact:

Annexation of the subject parcel is projected to provide an additional \$1,587 annually to the City's General Fund, based on the value at annexation (currently undeveloped), and \$18,876 annually after full build-out. The future development agreement with the developer will need to provide an additional \$5,254 or more annually at full build-out, to compensate for the City settling at 11% of the property tax base.

Conclusion:

Staff recommends adoption of Resolution No. 5956(14) for settlement of the division of property taxes between the City and the County, and approval of the RHNA Transfer Agreement, subject to the developer's commitment to pay the difference between 11% of the property tax base and the 14% to 18% of the property tax base needed to cover that actual costs to the City to service the proposed project.

Respectfully submitted,

Patrick Wiemiller, City Administrator

- Attachments: 1) [Resolution No. 5956 \(14\) – Summit View Homes Tax Share Agreement](#)
2) [Summit View Homes RHNA Transfer Agreement](#)