

Lompoc City Council Agenda Item



City Council Meeting Date: December 16, 2014

TO: Patrick Wiemiller, City Administrator

FROM: Lucille T. Breese, AICP, Planning Manager
l_breese@ci.lompoc.ca.us

SUBJECT: Discussion of Santa Barbara County Board of Supervisors Request for Withdrawal of the City of Lompoc Application to the Santa Barbara Local Agency Formation Commission (LAFCO) to Amend the Sphere of Influence and Annex the Summit View Homes Development

Recommendation:

Staff recommends the City Council take the following action:

- 1) Review the material presented in the staff report; and
- 2) Provide direction to staff to either:
 - Work with Santa Barbara County (County) to select a mediator (and arbitrator, if needed), funded in equal portions by the City of Lompoc (City) and the County, to perform mediation/arbitration on the negotiated exchange of property tax revenues; or
 - Direct staff to withdraw the application from LAFCO for the Summit View Homes Reorganization (LAFCO File No. 14-1); or
 - Provide alternative direction to staff.

Background/Discussion:

The project site, for the Summit View Homes development, was considered in the City of Lompoc 2030 General Plan Update as Expansion Area D, for development of a 44-unit residential development.

April 10, 2013 – The Planning Commission considered a request by Whitt Hollis of West Coast Housing Partners, LLC, on behalf of Townsgate Summit, LLC, and the other members of Summit View Homes, LLC, for a recommendation to the City Council for a request for Annexation No. 78; an Environmental Impact Report (EIR 12-01);

pre-zoning of the project site; and a Fiscal Analysis Study prepared for the project.

May 21, 2013 – The City Council certified the Environmental Impact Report, adopted Findings of Fact and Mitigation Monitoring Reporting Program; adopted pre-zoning for the project site; and directed staff to initiate annexation proceedings.

January 16, 2014 – Application for Annexation to the City and Mission Hills Community Services District and Proposed Detachment from the Santa Barbara County Fire Protection and Prevention District was submitted to LAFCO.

The City and County began negotiating the property tax exchange agreement following the application submittal pursuant to the California Revenue and Taxation Code. On May 20, 2014, the County Board of Supervisors authorized staff to seek a 90-day extension, which the Council approved on June 17, 2014, to extend the deadline for reaching an agreement to September 15, 2014.

A County staff report dated November 4, 2014 indicates on September 10, 2014, the negotiating parties (City and County) proposed the allocation of base property taxes and future property tax increment in which the Fire Protection District's allocation of 14.06% and the Mosquito and Vector Management District's allocation of 0.02% would be eliminated. The City's future share of the allocation would be equal to 11.0% of Property Tax Revenues generated and the County's General Fund's existing allocation percentage would be adjusted for the difference. The aforementioned allocation was believed to be approximately revenue neutral to the City, based on the updated Stanley Hoffman & Associates report dated June 19, 2014. Furthermore, based on per capita County costs, it was estimated the County's financial position would improve, based on the revenue sharing agreement. The negotiating parties also proposed a transfer of responsibility for maintaining a portion of the right-of-way along Harris Grade Road and a transfer of the parcel's proposed housing units from the County to the City for determining Regional Housing Needs Allocation (RHNA) compliance.

On October 21, 2014, direction from the County Board of Supervisors did not ratify the authorized negotiating parties' proposal as outlined above and instead, directed County staff to provide additional analysis and options, and another extension was authorized to extend the negotiating deadline to November 30, 2014.

On November 4, 2014, the County Board of Supervisors, when presented options to either: 1) approve the negotiated exchange of property tax revenues; 2) move to mediation; 3) extend the deadline to allow further negotiation; or 4) request the City withdraw the annexation application, directed County staff to proceed with Option 4. County staff was further directed to proceed with Option 3, if the City would not

withdraw its application, and as appropriate, to proceed with mediation as reflected in Option 2.

The City has supported the proposed annexation and was made aware of County concerns regarding Fire response to the site and maintenance responsibility for Harris Grade Road during the 2030 General Plan EIR comment period. Authorized negotiating parties have brought forward a proposal that has not been ratified by the County Board of Supervisors.

If Council directs staff to pursue negotiations, then City staff recommends moving directly to mediation/arbitration. The City and County would move into mediation as required per Rev. & Tax Code Section 99(e) (1) (B) & (C) as follows:

- (B) The City and the County shall mutually select a mediator, funded in equal portions by those agencies, to perform mediation for a period not to exceed 30 days. If, upon the completion of the mediation period, no exchange of property tax revenues is agreed upon by the City and the County, subparagraph (C) shall apply.
- (C) The City and the County shall mutually select an arbitrator, funded in equal portions by those agencies, to conduct an advisory arbitration with the City and the County for a period not to exceed 30 days. At the conclusion of this arbitration period, the City and the County shall each present to the arbitrator its last and best offer with respect to the exchange of property tax revenues. The arbitrator shall select one of the offers and recommend that offer to the governing bodies of the City and the County. If the governing body of the City or the County rejects the recommended offer, it shall do so during a public hearing, and shall, at the conclusion of that hearing, make written findings of fact as to why the recommended offer was not accepted.

The City Attorney has opined the outcome of the mediation and arbitration process may not be legally binding. The Council should be aware LAFCO will not process the annexation request without the tax exchange agreement being approved by both entities. If the City withdraws the annexation application, then the applicant could approach the County to develop a residential project on the site.

Fiscal Impact:

The cost of the mediation and arbitration is estimated to be \$27,000. There will be additional costs for staff time and legal expenses, which are unknown at this time. The negotiations to date have been conducted by senior level management staff, including the City Administrator and Management Services Director. As noted above, the

mediation and arbitration costs will be shared by the City and County. The estimated net responsibility of the City would be approximately \$13,500. Funding for the \$13,500 would be from budget adjustments to account 10900-53390 – Professional Services – Other utilizing cost savings available in program 10900. Legal fees would continue to be from existing sources.

The following financial analysis outlines the impact of the proposed exchange and was presented in the County staff report dated November 4, 2014:

The parcels subject to the reorganization have a total assessed value as of FY 2013-14 of approximately \$1,443,000 of which the 1% value is \$14,431. Eleven percent (11%) of the property tax currently allocated to the County Fire Protection District will be reallocated to the City and the allocation to the Mosquito and Vector Control District will be eliminated. The County General Fund’s existing allocation percentage will be adjusted for the difference. The revised Hoffman & Associates Report (“Hoffman Report” dated June 19, 2014) estimates the post build out residential valuation at \$17,160,000 of which the 1% value would be \$171,600. The table below demonstrates the valuation and allocation of taxes to certain taxing entities based on the existing or day 1 valuation and the post build out valuation.

DAY 1 (Assessed Value \$1,443,000*)					
Pre-Agreement		Jurisdiction	Post-Agreement		
Tax Allocation %	Revenue		Tax Allocation %	Revenue	
23.47%	\$ 3,387.03	County General Fund	26.55%	\$ 3,831.52	
0.00%	\$ -	City of Lompoc	11.00%	\$ 1,587.45	
14.06%	\$ 2,029.04	SB County Fire Protection District	0.00%	\$ -	
0.02%	\$ 2.89	SB County Vector Control District	0.00%	\$ -	

After Build Out (Estimated Assessed Value \$17,160,000*)					
Pre-Agreement		Jurisdiction	Post-Agreement		
Tax Allocation %	Revenue		Tax Allocation %	Revenue	
23.47%	\$ 40,274.52	County General Fund	26.55%	\$ 45,559.80	
0.00%	\$ -	City of Lompoc	11.00%	\$ 18,876.00	
14.06%	\$ 24,126.96	SB County Fire Protection District	0.00%	\$ -	
0.02%	\$ 34.32	SB County Vector Control District	0.00%	\$ -	

* Source: Stanley R. Hoffman Associates, Inc. report dated June 19, 2014.

The revised Hoffman Report assumed an allocation to the City of 14.06% which would have resulted in a surplus position. This property tax exchange resolution includes an allocation of 11.0% to the City to adjust the net result to an approximately break-even condition. Per the Hoffman Report, Lompoc City post development revenues, excluding the Property Tax allocation shown above, would be approximately \$67,000. These revenues combined with the revised property tax revenue sharing above (\$18,876) total approximately \$86,000 and are estimated to roughly equal projected incremental City costs, resulting in revenue neutrality for the City. Based on per capita County costs, it is estimated that the County’s financial position will improve based on this revenue sharing agreement.

The above proposed agreement is revenue neutral to the City and has not been accepted by the County. In the above proposal, after build out, future revenue to the City will cover costs to provide City services. Additional mediation and arbitration costs

to attempt to reach an agreement will not be recovered through the possible future revenue.

Conclusion:

The previous actions of Council directing staff to continue negotiations with the County are consistent with the Council actions supporting the project. The County Board of Supervisors' failure to ratify an agreement as negotiated by authorized parties indicates further staff negotiation is unlikely to produce an agreement that will be ratified. Therefore, if the annexation is to move forward, then staff recommends proceeding to mediation and arbitration efforts, although there is no guarantee of a binding agreement via that process either. For annexation to proceed, both the County and the City must agree upon the exchange of property tax revenues or either party would have the option to seek a judicial remedy to if the parties do not agree after arbitration. Staff recommends Council direct staff to pursue mediation and arbitration, **or** withdraw the annexation request.

Respectfully submitted,

Lucille T. Breese, AICP, Planning Manager

APPROVED FOR SUBMITTAL TO THE CITY ADMINISTRATOR:

Teresa Gallavan, Economic Development Director/Assistant City Administrator

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Patrick Wiemiller, City Administrator

Attachment: [Correspondence dated November 13, 2014](#)