



City Council Agenda Item

City Council Meeting Date: November 19, 2019

TO: Honorable Mayor and City Council

FROM: Jim Throop, City Manager
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SUBJECT: City Council Direction Whether to Have the City Attorney's Office Lead the City's Efforts for Processing the Bailey Avenue Sphere of Influence and Annexations Application Through the Local Agency Formation Commission and How Those Services Will Be Financed

Recommendation:

The City Council decide whether to direct:

- 1) The City Attorney's Office to take the lead on completing the Bailey Avenue Sphere of Influence and Annexation (Bailey SOI/Annexation) process through the Local Agency Formation Commission (LAFCO), and
- 2) The project proponents to pay any or all of the City's costs related to those services, or
- 3) Provide alternate direction.

Background/Discussion:

At the City Council meeting of July 18, 2017, Resolution No. 6103(17) was adopted. Pursuant to that resolution, staff filed with LAFCO an application for adding the two areas along Bailey Avenue within the County of Santa Barbara (County) at the western edge of the City into the City's Sphere of Influence and annexing those areas into the City. Since that time, staff has been working with the project proponents, County, and LAFCO staff to file the application and complete the Bailey SOI/Annexation.

As required by the State annexation laws, the City has met several times with County staff to discuss those proceedings. The latest of those meeting was held on October 24, 2019. At the conclusion of that meeting, the County continued to indicate it would be recommending against the Bailey SOI/Annexation. Paul Hood, LAFCO Executive Officer, who also attended that meeting, during which he made a statement indicating he did not think LAFCO would approve the annexation, The County and City staff also have not come to an agreement regarding the method to determine the amount of the 1% real

property taxes generated by the Bailey SOI/Annexation areas to be paid to the City. City staff believe that property tax share should be more than the 11%, which is the percent used for the recent Summit View Homes annexation, would be appropriate. That belief is due to the fact the City will be taking on all of the services (such as, public safety, utilities, community services, general administration, and others) required for the area proposed to be annexed, with the County only responsible for its core services of public health, jail operations, and court system.

Due to the significant reduction in management staff that the City has experienced, and the importance of the Bailey SOI/Annexation to the City for its extreme housing shortage, the City Council asked staff to bring forth an agenda item for the City Council to decide whether to have the City Attorney's Office lead the City's efforts in the Bailey SOI/Annexation.

Fiscal Impact:

The City Attorney anticipates it could require services of up to 500 hours to complete the Bailey SOI/Annexation process. At the regular discounted rate of \$185/hr., that amounts to \$92,500. Per Resolution No. 6103(17), as modified by the City Council when it was adopted, the project proponents are obligated to pay all LAFCO and City fees associated with the SOI and Annexation. Staff does not think the Council's intent was to include the above noted costs in the requirement. It should also be noted, pursuant to the contract with the City Attorney's Office, that discounted rate is increased to \$320/hr. if the legal fees are reimbursed by a private party. That equates to a possible cost of \$160,000 for the non-discounted rate, which would be billed to the project proponents. The City Council is requested to provide staff and the project proponents direction on the issue of whether the project proponents will be reimbursing the City for the City Attorney Office's legal fees related to the Bailey SOI/Annexation.

Conclusion:

At City Council direction, this matter has been brought forward. The City Council is requested to provide direction it deems appropriate regarding the handling of the Bailey SOI/Annexation process.

Respectfully submitted,

Jim Throop, City Manager