MEMORANDUM

TO: CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

SUBJECT: CONSIDERATION OF RESOLUTION APPROVING THE TAX SHARING AGREEMENT WITH THE COUNTY OF SAN LUIS OBISPO FOR ANNEXATION OF THE HEIGHTS AT VISTA DEL MAR SUBDIVISION

DATE: JULY 8, 2014

RECOMMENDATION:
It is recommended the City Council adopt a Resolution approving the Tax Sharing Agreement with the County of San Luis Obispo for annexation of the Heights at Vista Del Mar Subdivision.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:
There is no initial financial impact of this action. When the project is developed, the City will receive one-third of the increase in property tax revenues.

BACKGROUND:
The project is a 22-unit subdivision at the southeast terminus of Castillo Del Mar adjacent to the Vista Del Mar development. On March 25, 2014, the City Council took preliminary action to annex the project site by adopting a Resolution changing the land use designation from County Residential Suburban (RS) to City Low Density (LD) residential and introducing an Ordinance to prezone the property to Residential Hillside (RH). At the April 8, 2014 meeting, the City Council adopted the Ordinance and a Resolution for initiation of proceedings for the annexation. The next step is to enter into a tax sharing agreement with the County. The County Board of Supervisors is also scheduled to consider the agreement at their July 8th meeting. If approved, the Local Agency Formation Commission (LAFCO) is scheduled to consider approval of the annexation in August.

ANALYSIS OF ISSUES:
When annexations are proposed, the law requires affected jurisdictions to negotiate an exchange of property tax revenue prior to LAFCO's approval of the proposed change. In San Luis Obispo County, the cities and County have a master agreement in place in order to avoid drawn out negotiations and disputes when annexations are
proposed. Under the master agreement, the County continues to receive the pre-existing amount of property tax revenues following an annexation in addition to two-thirds of any future property tax increases. The City receives one-third of any increase in property tax revenues and all sales tax revenues. Therefore, the "negotiation" has been completed, which simply consists of confirmation of the terms of the master agreement.

ALTERNATIVES:
The following alternatives are provided for the Board’s consideration:
- Adopt the Resolution;
- Do not adopt the Resolution and pursue renegotiation of the master agreement;
- Do not adopt the Resolution and do not proceed with the annexation; or
- Provide other direction to staff.

ADVANTAGES:
Adoption of the Resolution enables the City to proceed with the annexation, which will result in significant circulation improvements for the City in the area around Arroyo Grande High School. Any attempt to negotiate terms other than the master agreement would result in lengthy delays to the annexation process and would likely be unsuccessful.

DISADVANTAGES:
The agreement with the County minimizes future property tax revenues to the City.

ENVIRONMENTAL REVIEW:
No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:
The Agenda was posted in front of City Hall and on the City’s website on Thursday, June 3, 2014. No comments were received.
RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE ACCEPTING NEGOTIATED EXCHANGE OF PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT BETWEEN THE CITY OF ARROYO GRANDE AND COUNTY OF SAN LUIS OBISPO

WHEREAS, in the case of a 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 increments between the City of Arroyo Grande and the County of San Luis Obispo pursuant to Section 99(a)(1) for the jurisdictional change designated as Annexation No. 31 to the City of Arroyo Grande (Heights at Vista Del Mar); and

WHEREAS, the negotiating party, to wit: Steven Adams, City Manager, on behalf of the City of Arroyo Grande, and Emily Jackson, Administrative Analyst, on behalf of the County of San Luis Obispo have negotiated the exchange of property tax revenue and annual tax increments 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 increments be consummated.
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Arroyo Grande as follows:

1) That the recitals set forth above are true, correct and valid.

2) That the City of Arroyo Grande agrees to accept the following negotiated exchange of base property tax revenues and annual tax increments.
   a) No base property tax revenue shall be transferred from the County of San Luis Obispo to the City of Arroyo Grande.
   b) Annual tax increments shall be transferred from the County of San Luis Obispo to the City of Arroyo Grande in the fiscal year 2015-2016 and each fiscal year thereafter in the amount of 12.2238 percent of the increment remaining after transfers to the Education Revenue Augmentation Fund (ERAF).

3) That the City Clerk is authorized and directed to transmit a certified copy of this 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.

On motion of Council Member , seconded by Council Member , and on the following roll call vote, to wit:

AYES:  
NOES:  
ABSENT:  

The foregoing Resolution was passed and adopted this day of 2014.
RESOLUTION NO.
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TONY FERRARA, MAYOR

ATTEST:

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KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

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STEVEN ADAMS, CITY MANAGER

APPROVED AS TO FORM:

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TIMOTHY J. CARMEL, CITY ATTORNEY