

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Holly L. Heinzen, Chief Assistant County Executive Officer

DATE: August 20, 2013

SUBJECT: Meyer Proposed Annexation Resolution and Tax Sharing Agreement

ACTION REQUESTED

Approve the attached Resolution authorizing the Chairman of the Board of Supervisors to sign a property tax sharing agreement with the City of Auburn for the annexation of Assessor Parcels (APN) 054-290-062 and 054-290-063 located on Foresthill Avenue adjacent to the City of Auburn.

BACKGROUND

Property owners have requested annexation of 17.1 acres of unincorporated land within the City's Sphere of Influence, located at 880 and 890 Foresthill Avenue adjacent to the City of Auburn and the Stage Coach Preserve owned by the Placer County Land Trust. The proposed annexation area contains four residential units owned by Ronald and Kathleen Meyer on APN# 054-290-062, and designated open space owned by the Placer Land Trust (APN 054-290-063). The property is built out and no further development is proposed upon annexation by the City.

Damage to the residence located on the Meyers property has resulted in the need to reconstruct one of the residential units. The request for annexation is predicated on a County Environmental Health requirement to provide sewer service to the home being rebuilt by the property owner. The existing home, damaged by a fallen tree was previously served by septic system. Soils for the septic do not meet current code and connection to the old existing septic is unsuitable for a newly constructed or substantially modified home. There is one structure in the annexation area already being served by City sewer due to a failed septic system. The City of Auburn is requiring annexation to the City in order to provide sewer services to the reconstructed dwelling unit. Placer Land Trust has deeded a sewer line easement across their property to the Meyers property.

ISSUE

Prior to consideration of the annexation proposal by the Local Agency Formation Commission (LAFCo), the County and City as the affected parties must agree to apportionment of revenues to support delivery of services once annexation occurs. In order for the annexation to be considered by LAFCo both jurisdictions must approve a Resolution approving an agreement for sharing of taxes generated in the annexation area.

County and City staff have reached an agreement for revenue sharing apportionments that will provide support of countywide and municipal type services. The tax shares agreed upon are based on a prior agreement Master Property Tax Sharing Agreement with the City that relied on the existing proportionate shares of property tax within the City being applied to property tax available for the proposed annexation. Given this is a very small annexation that does not include construction of new dwelling units and the extenuating circumstances involved, this appears to be a reasonable approach.

FISCAL IMPACT

Currently, of the 1% of the property tax received in the proposed annexation area, the County General Fund receives approximately 31% and Fire Control receives 1.41% of the property tax increment. As proposed under the attached agreement, the County would retain 60% of the amount currently accruing to the General Fund and the Fire Control Fund (prior to shifts to the Education Revenue Augmentation Fund - ERAF). The County will retain responsibility for countywide services in the area. The City of Auburn would be apportioned the remaining balance of the property tax in the affected funds and all general sales tax received from sales in the annexed area. In addition, consistent with requirements in other property tax agreements, the City agrees to impose and collect the Placer County Capital Facilities Fee for impacts of new development on County facilities, which the City currently does for all projects within the City limits

Given, the existing statutory structure for allocation of property tax revenues, including the property tax shift to the schools, the limited size and development potential, it is anticipated that the provision of countywide services would not be materially impacted with this annexation and that services would continue to be provided at approximately the same level as currently exists.

Attachments: Resolution
Tax Sharing Agreement

Before the Board of Supervisors County of Placer, State of California

Resol. No: _____

In the Matter of:

Annexation of Assessor Parcels (APN) 054-290-062 and 054-290-063 to the City of Auburn.

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held on August 20, 2013 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:
Clerk of said Board

Whereas, property owners have requested annexation of 17.1 acres of unincorporated land within the City's Sphere of Influence, located at 880 and 890 Foresthill Avenue adjacent to the City of Auburn and the Stage Coach Preserve owned by the Placer County Land Trust; and

Whereas, the proposed annexation area contains four residential units owned by Ronald and Kathleen Meyer on APN# 054-290-062, and designated open space owned by the Placer Land Trust (parcel # 054-290-063); and

Whereas the property is built out and no further development is proposed upon annexation by the City; and

Whereas, damage to the existing residence located on the Meyers property has resulted in the need to reconstruct one of the residential units; and

Whereas, the septic system does not meet current code and connection to the old existing septic is unsuitable for a newly constructed or substantially modified home and County Environmental Health has required sewer service to the home being rebuilt by the property owner; and

Whereas, the City of Auburn is requiring annexation in order to provide sewer services to the reconstructed dwelling unit; and

Whereas, Placer Land Trust has deeded a sewer line easement across their property to the Meyers property; and

Whereas, prior to consideration of the annexation proposal by LAFCo, the County and City as the affected parties must agree to apportionment of revenues to support delivery of services once annexation occurs.

Whereas, due to extenuating circumstances associated requirements, the City and the County have agreed to a property tax sharing approach that would be utilized only for this annexation

Now, therefore be it resolved, that the Board of Supervisors authorizes the County to enter into the attached property tax sharing agreement with the City of Auburn and the Chairman of the Board of Supervisors to sign on behalf of Placer County.

**AGREEMENT FOR APPORTIONMENT OF PROPERTY TAX REVENUES
DUE TO JURISDICTIONAL CHANGE**

This Agreement for Apportionment of Property Tax Revenues Due to Jurisdictional Changes ("Agreement") is made and entered into this _____ day of _____, 2013, by and between the COUNTY OF PLACER, a political subdivision of the State of California ("County"), and the CITY OF AUBURN, a municipal corporation ("City").

WHEREAS, Section 99(b) of the Revenue and Taxation Code provides that upon the filing of an application for a jurisdictional change, prior to the issuance of a certificate of filing by the Local Agency Formation Commission ("LAFCO"), the local agencies must first agree to a mutually acceptable exchange of property tax revenues; and

WHEREAS, Placer County will continue provision of most services including both Countywide and certain municipal type services following annexation; and

WHEREAS, property and sales taxes are the primary source of revenue to support such services; and

WHEREAS, the purpose of this Agreement is to provide for distribution of available property tax revenues between County and City, and

WHEREAS, following damage to a dwelling unit due to a fallen tree, application was made for construction of a replacement dwelling unit in the unincorporated area adjacent to the City of Auburn; and

WHEREAS, the property needed and testing indicated the property was unable to accommodate the septic system required for the replacement unit; and

WHEREAS, other options for wastewater disposal were evaluated and deemed not feasible and annexation into the City of Auburn is required; and

WHEREAS, the County finds that special circumstances exist with respect to this annexation and associated agreement and said Agreement will not establish a basis for future annexations, nor will it set a precedent for other annexation related discussion; and

WHEREAS, the parties have negotiated this Agreement for the exchange of property tax revenues for annexations occurring in the area referred to as the Meyer

annexation as generally shown in Exhibit A and as described in Exhibit A-1 (“Annexation Area”) attached hereto and incorporated by reference, whether or not applicable statutes change in the future; and

WHEREAS, in consideration of the mutual covenants herein exchanged, the City and County agree to this tax sharing agreement.

NOW, THEREFORE, County and City agree as follows:

1. Definitions.

a. The “Annexation Area” shall mean the area as described in Exhibits A and A-1 respectively, attached hereto and incorporated herein by reference.

b. Base Property Tax Revenues shall mean the total amount of property tax revenues based upon the AB 8 gross levy for the fiscal year immediately preceding the year in which the annexation is proposed that accrues to: (1) Placer County (General Fund), (2) Fire Control Fund and (3) any other Affected Agency, as determined prior to any adjustment or revenue reallocation by the State of California for the Education Revenue Augmentation Fund (ERAF).

c. Incremental Property Tax Revenues shall mean the amount of property tax revenues accruing to each Affected Agency attributable to the annual tax increment increase in assessed valuation in each fiscal year after the annexation is completed.

d. Affected Agency shall mean each local agency whose service area or service responsibility would be altered by the jurisdictional change. The Affected Agencies within the Annexation Areas are the County of Placer and the City of Auburn.

2. Affected Funds. The County Auditor has notified the City and County pursuant to Revenue and Taxation Code section 99, subdivision (b)(2), that, of the 1% ad valorem property tax imposed pursuant to Article 13A, section 1 of the State Constitution, the property tax revenue which is subject to negotiated exchange consists of the Placer County General Fund percentage, 32% and the Fire Control Fund, 1.41%.

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3. Affected Tax Rate Areas which include all Base Property Tax Revenue or Incremental Property Tax Revenue available for allocation and distribution include:

TRA 056-029

4. Allocation of Future Property Taxes. Based on mutual agreement of both parties following completion of annexation of the identified area (subject to the apportionment of taxes for the redevelopment project area until such time that the project area is terminated) Placer County shall:

a. Retain 60% of the 1% property tax available based on the sum total of all base and incremental property tax revenues (i.e. AB8 gross levy prior to adjustments and revenue transfers relative to the Education Revenue Augmentation Fund) accruing to the Placer County General Fund and the Fire Control Fund prior to annexation; and

5. The City of Auburn shall be apportioned the remaining balance of the property tax in the affected funds including the Placer County General Fund and the Fire Control fund; and all general sales tax received from sales in the annexed area.

6. Imposition of Capital Facilities Fees. City agrees that property which may be developed within any annexation area that is subject to this Agreement shall be required to pay the County capital facilities fees, as imposed on development within the City at the time of the issuance of a building permit for such property.

7. Collection of Capital Facilities Fees. City agrees that it shall impose upon a developer of property within the annexation areas the obligation to pay the capital facilities fee pursuant to a development agreement, if one is not yet agreed to by City and the developer, or any other legally binding mechanism agreed to by City and developer. City shall require the fee to be paid prior to or at the time of the issuance of the building permit.

8. Calculation of Base Property Tax Revenue Amount. The Base Property Tax Revenue to be apportioned, pursuant to Section 2 above, shall be calculated by utilizing the actual amount of tax revenues generated from all of the property in the area being annexed in the fiscal year prior to annexation, which total sum shall then be divided and allocated accordingly.

9. Commencement of Exchange. The exchange of Base Property Tax Revenue and Incremental Property Tax Revenue shall commence one year after the calendar year in which the notice of completion is filed.

10. Incremental Property Tax Revenue. Nothing herein shall be interpreted to preclude City or County from receiving Incremental Property Tax Revenue attributable to an annexed territory according to the property tax apportionment methods used by the County Auditor-Controller, notwithstanding the fact that no Base Property Tax Revenues attributable to the annexed territory may have been previously received.

11. Effective Date. This Agreement shall be effective on _____, 2013, and continue in full force and effect thereafter unless amended by the mutual consent of the parties.

CITY OF AUBURN

, Mayor Date
City of Auburn

COUNTY OF PLACER

Jim Holmes, Chairman Date
Placer County Board of Supervisors

County of Placer

Approved as to Form

County Counsel