



**CITY OF MARTINEZ**

**CITY COUNCIL AGENDA  
December 1, 2010**

**TO:** Mayor and City Council

**FROM:** Terry Blount, AICP, Planning Manager  
Corey Simon, Senior Planner  
Anjana Mepani, Associate Planner

**SUBJECT:** Alhambra Valley Annexation

**DATE:** November 23, 2010

**RECOMMENDATION:**

The City of Martinez proposes to annex a portion of Contra Costa County that is subject to the Alhambra Valley Specific Plan (see Attachment A). In this regard, the City Council will consider the following proposed six actions:

1. Resolution adopting a Negative Declaration pursuant to the California Environmental Quality Act (CEQA).
2. Resolution amending the Martinez General Plan Land Use Element and Land Use Map to incorporate four new land use designations (Estate Residential-Low, Estate Residential-Very Low, Agricultural Lands, and Open Space) and to apply said designations to the affected parcels; **AND** amending the Martinez General Plan Land Use Element, Scenic Roadways Element, Parks and Recreation Element, and Transportation Element to incorporate policies related to the annexation area.
3. Ordinance amending the Martinez Zoning Ordinance to include a new chapter (Chapter 22.29): the Alhambra Valley Districts which will contain four new zoning districts; (AV/R-20 Single Family District; AV/R-40 Single Family District; AV/A-5 Agriculture District; and AV/PD Planned Development District).
4. Ordinance amending the Martinez Zoning Map to show the annexation area and the new Zoning Districts for the annexation area; **AND** approving the Pre-Zonings for the properties to be annexed.
5. Resolution approving the Alhambra Valley Design Guidelines.
6. Direct staff to prepare and submit an annexation application to Contra Costa Local Agency Formation Commission (LAFCO).

Staff recommends that the Council review the staff report and attachments, hold a public hearing to consider the proposal, and approve the above actions.

## **BACKGROUND:**

The Alhambra Valley annexation will impact an area located directly outside the current southwest jurisdictional boundary of the City of Martinez, but within the City's Sphere of Influence and the County Urban Limit Line (see Attachment B). The proposed annexation area is comprised of approximately 155 parcels covering approximately 400 acres. It is generally bounded by the City's current jurisdictional boundary to the north, detached single-family homes and undeveloped hills to the east, Alhambra Valley Road and Briones Regional Park to the south, and undeveloped hills and rangeland to the west.

As directed by the City Council staff has been analyzing the feasibility of annexing the Alhambra Valley from both a land use and fiscal perspective for the last few years. The analysis originally included the entire Alhambra Valley, however, at Council's direction staff has proceeded with the annexation process for only a portion of the Valley, that noted above and referred to as *Area A* in the Economic & Planning Systems, Inc (EPS) Study discussed below (see Attachment C, p. 6). City staff has met several times with LAFCO staff to discuss the proposed annexation and the Planning Commission has held three public hearings on the matter. At its meeting of August 10, 2010 the Commission held the final public hearing and made its recommendations to the Council regarding the proposed annexation.

### **Contra Costa Local Area Formation Commission Municipal Service Review**

LAFCO completed the State mandated municipal service review (MSR) for Martinez in 2006. In the section of the report that addressed agencies in Central Contra Costa County that provide water and wastewater services, the report discussed the number of water service accounts located outside the City's current boundaries. Most of the service accounts were set up pursuant to City of Martinez Resolution No. 169-87, adopted in 1987, which required a deferred annexation agreement and were entered into prior to 2001. A few have been processed since 2001. As noted in the MSR regarding the outstanding deferred annexation agreements, LAFCO encourages the City to annex areas currently receiving City water services into the City, as appropriate.

Resolution No. 169-87 set forth regulations pertaining to the provision of City services (water) outside the City's boundaries. Properties outside but contiguous to a City boundary are required to annex to the City of Martinez prior to receiving water service. Any annexation requires approval by LAFCO. This resolution allows water service to be provided to properties outside the City limits (but within the City's Sphere of Influence and City water service boundary) that are not contiguous to a City boundary with the execution of a deferred annexation agreement. Prior to 2001, this type of agreement did not require LAFCO approval. Since 2001 all new deferred annexation agreements/out of area service agreements have required LAFCO approval.

### **CH2M Hill and Economic & Planning Systems, Inc (EPS) Studies**

The City retained the services of EPS and CH2M Hill to provide staff with additional expertise to determine the financial and land use feasibility of annexing the Alhambra Valley, as well as information on the annexation process. From this process the City now understands the following:

- Development in the Alhambra Valley is currently subject to the Contra Costa County Alhambra Valley Specific Plan (AVSP) which was adopted in 1992. The AVSP is well supported by the current residents in the Alhambra Valley as it continues the current semi-rural, large lot configuration, preserves existing open space, and allows for some new development in keeping with the existing character of the area.
- In previous public discussions regarding annexations in the Alhambra Valley, the City Council has stated that any such annexations would be consistent with the AVSP.
- The City has not undertaken any pre-zoning in the Alhambra Valley since the 1980s and much of the recently developed areas of the Alhambra Valley have no pre-zoning at all. Prior to submitting an application for annexation to LAFCO, the City must pre-zone and/or change the pre-zoning on existing properties so that all properties being considered for annexation are consistent with the AVSP. LAFCO legislation prohibits zoning changes for two years after an area is annexed.
- In 1995, the City began a process to annex most of the Alhambra Valley, however the application for annexation was never formally made to LAFCO and the process to create new pre-zonings or modify existing pre-zonings was never initiated.

### **Planning Commission Hearings and Recommendation**

The first public hearing regarding the proposed land use regulations for the Alhambra Valley annexation took place at the Planning Commission meeting of May 25, 2010. At that meeting the Commission reviewed the materials presented and took public testimony. Based on the public testimony and questions and concerns from the Commission, the Commission requested that additional information be gathered and research conducted. Staff returned to the Commission with the additional information collected and the results of the research requested at the Commission's meeting of June 29, 2010. At that meeting, the Commission received public testimony again and reviewed the staff report and based on the record as whole voted to recommend to the City Council denial of the proposed land use regulations proposed for the Alhambra Valley annexation area and recommended that the City Council not submit an annexation application to LAFCO. Staff was directed to return with a draft resolution.

Even though the Planning Commission directed staff to return with a draft resolution recommending to the City Council denial of the proposed land use regulations proposed for the Alhambra Valley annexation area and recommending that the City Council not submit an annexation application to LAFCO, staff believed that based on two things, consideration of an alternative resolution was appropriate. These included:

- Commission deliberations of the item at the June 29th meeting; and
- A conversation with one of the Commissioners directly after the meeting regarding the item.

Staff reviewed the portion of the recording of the June 29th Planning Commission meeting which included the deliberations associated with the proposed land use regulations and believed that it was clear that the Commission did not have issue with the land use regulations that are

proposed. Instead, the Commission had issue with the City proceeding with an annexation application to LAFCO. Staff offered this up as a possible motion for the Commission's consideration at the meeting, but since the Commission did not consider it staff believes that it was not made clear that this was an option. In addition, directly after the Commission meeting, one of the Commissioners relayed to staff that they did not have an issue with the proposed land use regulations, just with the LFCO application. With this conversation it was confirmed that it had not been made clear to the Commission that this was an option that could have been considered.

Based on this, staff prepared an alternative resolution that reflected this option for the Planning Commission's consideration at its meeting of August 10, 2010 and presented it along with the one originally requested. At that meeting the Commission again received public testimony and reviewed the staff report and based on the record as whole voted to stay with their original recommendation to the City Council, the denial of the proposed land use regulations and to not submit an annexation application to LAFCO (see Attachment D). The Commission's reasons included:

- The Alhambra Valley annexation area as proposed does not include all of the area covered by the County's Alhambra Valley Specific Plan. The Commission believes that there are land use types outside of the annexation area but within the Specific Plan area that may not be covered by the proposed land use regulations and as such render the proposed land use regulations incomplete;
- It is premature to approve General Plan land use designations for the annexation area as the City is updating its General Plan at this time. If the annexation is approved by LAFCO, the General Plan land use designations will be locked in for a period of two years following approval of the application to LAFCO. This would preclude any possibility of changing the land use designations for this area if deemed necessary during the Update process; and
- Based upon these two reasons, the proposed land use regulations are not consistent with the General Plan.

The Planning Commission staff reports and meeting minutes are attached (see Attachments E-G).

## **DISCUSSION:**

### **Proposed Annexation Area**

As noted, the Council directed staff to proceed with the annexation process for only a portion of the Valley, that described at the beginning of the staff report and referred to as *Area A* in the EPS Study (see Attachment C, p. 6). Since the goal of the annexation process is to bring as many properties as possible with deferred annexation agreements into the City, staff embarked on analyzing the proposed annexation by first compiling a map that showed the location of those properties with agreements (see Attachment H). From this map it can be seen that there are two large clusters of properties with agreements located within the Stonehurst and Alhambra Valley Ranch developments. There are smaller clusters with agreements on Creekside Oaks and Valley Orchard Court, as well as on the eastside of Alhambra Valley Road directly south of Hill Girt Ranch Road. The only other cluster of properties, a small one, is located south of Alhambra Valley Road just past Briones Road as you travel west.

Using the location of the properties with deferred annexation agreements as the primary emphasis, staff determined that in order to annex as many of them as possible and create an annexation area with the most logical boundary, that with the exception of the properties on Valley Orchard Court and the cluster on the eastside of Alhambra Valley Road directly south of Hill Girt Ranch Road, the annexation area should include all properties north and west of Alhambra Valley Road (see Attachment B). While this boundary includes a number of properties on the north side of Alhambra Valley Road just past the intersection with Reliez Valley Road without agreements, the majority of these had to be included in order to reach those properties with agreements in the eastern part of the proposed annexation area. Properties in an area to be annexed have to be contiguous to one another in order to be considered by LAFCO. They also have to be within the Urban Limit Line. This is the proposed annexation area that the Planning Commission considered.

Upon further reflection staff has determined that there is one part of the proposed annexation area where there is a logical cluster of properties without deferred annexation agreements that should be excluded from the proposed annexation area to reduce the overall number of properties included that do not have agreements. This cluster includes all of the properties with an address on Vaca Creek Road and Vaca Creek Way—a total of nine properties. Staff recommends that the Council direct staff to proceed with an annexation application that is based on a revised annexation area that does not include these properties (see Attachment I).

## **Existing and Proposed Land Use Regulatory Framework**

### *Existing Alhambra Valley Land Use Regulation Documents*

Land use and development in the Alhambra Valley is currently controlled by the following three regulatory documents: the Contra Costa County General Plan, the Alhambra Valley Specific Plan (AVSP; adopted 1992), and the Contra Costa County Zoning regulations. Since all general plans are broad policy documents used to frame specific land use regulations, it is the AVSP and the Contra Costa County Zoning regulations that address land use and development in the Alhambra Valley. The AVSP is not a stand-alone document.

The AVSP contains land use and development restrictions that along with the underlying Contra Costa County Zoning regulations control land use. The AVSP contains land use rules unique to the Alhambra Valley, and states that “land uses in the unincorporated part of the AVSP area shall be restricted to the uses allowed in the (applicable Contra Costa County Zoning District), except where those uses conflict with the provisions (of the AVSP).” The Alhambra Valley contains areas covered by four County Zoning Districts: R-20 Single Family Residential District (20,000 square foot minimum lot size), R-40 Single Family Residential District (40,000 minimum square foot lot size), A-2 General Agricultural District (5 acre minimum lot size), and P-1 Planned Unit District (which includes the Stonehurst Planned Development District). In all cases, the AVSP is more restrictive than the underlying County Zoning regulations, prohibiting certain uses (e.g. churches and private schools) that otherwise would be conditionally permitted with use permit approval, in the County’s R-20, R-40, and A-2 Districts.

### *New City General Plan Land Use Designations*

As part of the proposed annexation, the City’s General Plan land use designations for the Alhambra Valley will replace those of the County (see Attachment J). Since the Alhambra Valley is within the City’s Sphere of Influence, the City assigned land use designations to many properties in Alhambra Valley with its last comprehensive General Plan revision completed in

the 1970s. However, the City's current designations do not match either the existing land uses present in the Alhambra Valley or the subsequent General Plan and AVSP adopted by the County. The City is therefore proposing a General Plan amendment that creates four new land use designations to match those of the County's existing AVSP and General Plan. These four new land use designations will be unique to the Alhambra Valley, and will be applied to generally match the existing County land use designations and maps applicable under the AVSP (see Attachment K). They are:

- Estate Residential – Low (equivalent to the AVSP's Single-Family Residential – Low designation). This designation allows a range of one to two single-family units per gross acre. The primary land use envisioned in this designation is detached single-family homes on lots typically one-half acre or larger.
- Estate Residential – Very Low (equivalent to the AVSP's Single-Family Residential – Very Low designation). This designation allows a maximum of one single-family unit per gross acre. The primary land use envisioned in this designation is detached single-family homes on lots typically one acre or larger, with the keeping of a limited number of livestock, consistent with a rural or semi-rural lifestyle.
- Agricultural Lands (same as used in the AVSP). This land use designation includes privately owned rural lands, generally in hilly areas that are used for grazing livestock or dry grain farming. The primary purposes of the Agricultural Lands designation is to: a) preserve and protect lands capable of and generally used for the production of food, fiber, and plant materials; and b) provide opportunities for rural residential single-family homes, at a maximum density of one dwelling unit per five gross acres.
- Open Space (equivalent of the AVSP's Restricted Open Space designation). This General Plan designation includes publicly owned open space lands and includes, without limitation, areas of significant ecological resources or geologic hazards. The Open Space designation also includes privately owned properties for which future development rights have been deeded to a public or private agency. For example, significant open space areas within planned developments identified as being owned and maintained by a homeowners association fall under this designation. Also included are the steep, unbuildable portions of approved subdivisions which may be deeded to agencies such as the East Bay Regional Park District but which have not been developed as park facilities.

#### *Additional General Plan Amendments to Retain Alhambra Valley Specific Plan's Policies*

All of the AVSP goals and policies that are not otherwise a part of the City's General Plan will be incorporated into the City's General Plan with the adoption of the proposed amendments.

#### *New City Zoning Districts vs. New Specific Plan*

In the earliest discussions regarding the annexation of a portion of the Alhambra Valley, the City proposed to adopt the County's AVSP as a means of maintaining all of the Alhambra Valley's existing land use and development regulations. However, since the AVSP is not a stand-alone document, it would be both in conflict with the City's existing Zoning regulations and would not retain the AVSP compatible Zoning existent in the County Zoning Ordinance. Therefore, the creation of new City Zoning Districts, ones that would contain the County's current land use and development regulations were determined to be the best way to preserve the goals and intent of the AVSP for areas to be annexed by the City. The following three new Alhambra Valley Zoning Districts are proposed. Please refer to Attachment L (map) and Attachment N (text).

The Stonehurst's P-1 District is proposed to be added as is and would remain unchanged:

- AV/R-20 Single Family District. The purpose of the district is to reserve land for the construction, use and occupancy of detached single-family development. Minimum lot size is 20,000 square feet.
- AV/R-40 Single Family District. The purpose of the district is to reserve land for the construction, use and occupancy of detached single-family development. Minimum lot size is 40,000 square feet.
- AV/A-5 Agriculture District. The purpose of the district is to reserve land for agricultural uses and supporting operations, including detached single-family residential uses. Minimum lot size is five acres.

Since these three Districts will be unique to the Alhambra Valley (instead of being County-wide), staff proposes that the restrictions found in the AVSP be incorporated into these new Zoning Districts. Rather than adopt the 1992 AVSP, its policies and regulations have been incorporated into the City General Plan and Zoning Text amendments now being proposed for the Alhambra Valley. Pragmatically, this consolidation will allow the land use regulations of the new Alhambra Valley Districts to stand alone, eliminating the need to check both the City's Zoning regulations and a Specific Plan to determine permitted uses and development regulations in the Alhambra Valley.

#### *Overview of Proposed Modifications to Alhambra Valley Specific Plan Land Use Regulations*

- List of Prohibited Uses unchanged: The new Alhambra Valley (AV) Districts prohibit the following uses, as does the AVSP:
  1. Commercial radio and television receiving and transmitting facilities other than broadcasting studios and business offices.
  2. Hospitals, philanthropic institutions, and convalescent homes.
  3. Churches and religious institutions and parochial and private schools.
  4. Medical and dental offices and medical clinics.
  5. Commercial nurseries, except for Christmas tree farms.
- Minor changes to use regulations, to be consistent with current State law and City regulations: Since the adoption of the AVSP, the State has mandated that all local agencies allow the following permitted uses:
  1. Secondary housing units (commonly called "in-law" units). It should be noted that the AVSP prohibits units over 1,000 sq. ft. as does the City, but unlike the AVSP, the City would allow units over 1,000 sq. ft. with use permit approval.
  2. Foster family home.
  3. Residential congregate care home (maximum of 6 residents).

- Removal of Heavy Agricultural Uses in the list of conditionally permitted uses in the AV/A-5 District: Given that the County's A-2 District covers larger and more intense agricultural regions than the Alhambra Valley, this County Zoning District conditionally permits a range of agricultural activities that are not consistent with the AVSP. While the AVSP is silent on these uses, they have been omitted from the City's proposed AV/A-5 District.

1. Canneries and commercial kitchens.
2. Cold storage plant.
3. Dude ranches.
4. Farm market and farm worker housing.
5. Slaughterhouses, stockyards, and livestock sales yards.
6. Other uses, such as boat storage, fertilizer plants, and agriculture supply sales.

At the request and recommendation of the Alhambra Valley Improvement Association, the list of uses below would no longer be permitted or conditionally permitted in the AV/A-5 District:

1. Agricultural (commercial) greenhouses.
2. Animal hospitals.
3. Seasonal grower/farm stands.
4. Retail fire wood sales.
5. Wineries.

- Recommended changes to the list of permitted and conditionally permitted uses in the AV/A-5 District: The following two uses would be conditionally permitted in the proposed AV/A-5 District, although they are now permitted uses in the County's A-2 District.

1. Dog kennels (In AV/A-5 District, recommendation is to make use conditionally permitted, with use permit approval required. Note: this use is not permitted in either current or proposed R-20 and R-40 Districts.)
2. Horse riding academies and horse riding instruction (In AV/A-5 District, recommendation is to make use conditionally permitted, with use permit approval required. Note: this use requires use permit approval in both current and proposed R-20 and R-40 Districts.)

### *Hillside Development and City's Slope Density Provisions*

The City's existing Hillside Development Regulations are more restrictive than the AVSP and the current County Zoning Ordinance. The City's Hillside Development Regulations prohibits the development of new lots on slopes of over 30%. Unlike the current County regulations, the City's hillside ordinance includes slope density provisions, where the maximum allowed residential density is reduced in inverse proportion to the steepness of a property's natural slope. Such slope density provisions limit the potential of new subdivisions creating additional hillside lots, but do not impose limitations on the development of a single-family home on an existing lot.

### *Unchanged Development Standards*

By adopting the proposed Zoning Districts for the Alhambra Valley, the development standards of the County's R-20, R-40, and A-2 (e.g. minimum yard setbacks and lot size requirements) will be unchanged within the proposed annexation area. In practice, it will be as if the City is using the current County regulations. The AVSP's more unique requirements for creek setbacks and creek preservation are however incorporated into the new Zoning Districts regulations proposed for the Alhambra Valley. As per the current regulations, areas within the creek setback area are excluded from minimum lot size calculations, and Creek Preservation and Enhancement Plans will be required for all development applications for creekside properties.

### **Contra Costa Local Agency Formation Commission (LAFCO) Annexation Application Guidelines:**

If the Council decides to proceed with an annexation application, staff will assemble it and submit it to LAFCO. The application consists of a number of parts, the specifics of which are outlined in the Filing Requirements for Submitting Boundary Change Applications form from LAFCO (see Attachment O). As can be seen from the checklist, many of the items required are administrative in nature, but some, such as the Resolution of Application and Completed Proposal Questionnaire require Council input and/or action. The Resolution of Application is the document adopted by the Council that conveys to LAFCO the City's annexation proposal for their consideration. A draft has been prepared and is attached (see Attachment P).

- The Completed Proposal Questionnaire (see Attachment Q) contains a number of questions that are also administrative in nature, however, there is one question that asks the **reasons for the proposal**. As noted previously in the MSR regarding the outstanding deferred annexation agreements, LAFCO encourages the City to annex areas currently receiving City water services into the City, as appropriate. Staff believes that is appropriate to do so at this time:
- The deferred annexation agreements are legal documents that were executed at the time the properties requested City water service;
- These agreements required that these properties become a part of the City;
- In these cases, the City is exercising its legal right to annex them;
- It is the City's understanding that in these situations LAFCO encourages the City to annex these properties as it furthers LAFCO's overall objectives; and

- While the proposed annexation area contains some properties that do not have agreements, staff believes that in order to annex the maximum number of properties that have them, some without them will have to be included. Staff believes that a reasonable balance has been achieved with the proposed annexation area.
- The Completed Proposal Questionnaire also asks for information on the City's **plan for providing services** to the annexation area.

#### *Law Enforcement*

The only major change in the provision of services to the annexation area would be that pertaining to law enforcement. The responsible agency for law enforcement for the annexation area would switch from the Sheriff's Department to the Martinez Police Department (MPD). The analysis in the Initial Study regarding the provision of law enforcement focused on the City's ability to properly serve the area. The MPD currently has four officers on duty at all times. Two each are assigned to one of two sectors (the City is divided into north and south sectors along Highway 4). Since the calls for service to the proposed annexation area are extremely low, the MPD can easily handle the additional two to three calls per month that come in from the proposed annexation area. In addition, the City and the County have an existing mutual aid agreement regarding response to emergency situations.

#### *Street and Highway Maintenance*

Another change in the provision of services that would affect some of the proposed annexation area would be the maintenance of streets and highways. A concern noted by the public and a few of the Commissioners at the initial public hearing was regarding maintenance responsibility where a street or highway is split between jurisdictions. Staff has done a parcel by parcel review of the properties that would be located at the proposed new City limit boundary to determine if this would be an issue, and if so, where. There are only two locations where this would occur where it would have any real significance—the portions of Alhambra Valley Road where there would be properties annexed into the City on both sides of the street. All the other properties along Alhambra Valley Road that are proposed to be annexed into the City have their property lines located at the edge of the street (public right-of-way) and not in the center of it. Therefore, in these locations the County would still maintain the street. In the other two areas it is likely that an agreement will be drawn up that lays out who would be responsible for those segments if the annexation takes place.

The final question asked in the Questionnaire that is substantive is the one that asks why the particular boundary has been chosen. Staff will answer this question with the explanation provided in the section of the staff report describing the proposed annexation area and how it was determined.

#### **California Environmental Quality Act (CEQA):**

The environmental review for the Alhambra Valley annexation project included the analysis of the series of actions to be undertaken by the City and LAFCO and was undertaken pursuant to CEQA. The majority of the annexation area is built out, and is characterized as a low-density, large-lot residential area. Consultants, Urban Planning Partners, prepared the Initial Study on behalf of the City and determined that the proposed Alhambra Valley annexation project would not increase or significantly change the allowed use, density, or scale of development when

compared to existing conditions or existing County policies and regulations (the Initial Study and Negative Declaration are attached to the draft CEQA resolution). The primary difference with the proposed land use regulatory framework is that the City proposes to include language in the Alhambra Valley Districts that would be slightly more restrictive than current County regulations for the annexation area relative to hillside development, as well as the types of structures and some uses allowed in agricultural zones.

- Zoning Designations: The southern portion of the annexation area (parcels along Alhambra Valley Road and Valley Orchard Court) is proposed to be zoned AV/R-40. Parcels within the annexation area that are north of Alhambra Valley Road and east of Vaca Creek Road are proposed to be zoned AV/A-5 and the parcels in the eastern most portion of the annexation area would be zoned AV/A-20. The existing PD District would continue to apply to the existing residential development in the western portion of the annexation area and the Planned District regulations applicable thereto would remain applicable after annexation.
- Proposed Annexation Area: The proposed annexation area includes 155 existing parcels (146 in the revised annexation area). Nine of the existing parcels have approved and valid subdivision maps that have not yet been constructed. These three projects were approved by Contra Costa County pursuant to the AVSP. Build out of these existing and approved subdivisions would increase the number of lots within the annexation area from 155 to 183 parcels (174 in the revised annexation area). Additionally, there are nine parcels that could potentially be further subdivided resulting in a maximum of ten new parcels.
- Utilities and Infrastructure/Maximum Buildout Limitations: The Initial Study indicates that the annexation project would not result in the expansion of utilities and infrastructure, and as a result the project would not induce new urban development in the area (see discussion in Section Q: Utilities). Neither existing County regulations nor the City's proposed regulations for the proposed annexation area would allow for more than ten new parcels (that could be subdivided from existing lots in the annexation area) to be established. In addition, existing policies in the AVSP intended to avoid or mitigate environmental effects would continue to apply to the annexation area, as the City would carry those policies over to the proposed Alhambra Valley Zoning Districts and General Plan Amendments and designations as a component of the project. In this sense, the contents of the proposed Zoning regulations and General Plan amendments would be consistent with current AVSP goals and policies intended to avoid or mitigate environmental effects. Future development that could occur would be of a small scale (on a maximum of ten new parcels), and would occur within an already developed residential neighborhood. As described throughout the document, impacts that could occur as a result of this development would be individually negligible, and thus would not contribute to a cumulatively considerable impact.

Based upon the findings in the Initial Study, staff has determined that the proposed annexation project will not have a significant impact on the environment and that a Negative Declaration is the appropriate document to complete the CEQA process.

## **FISCAL IMPACT:**

The City retained Economic & Planning Systems, Inc (EPS) to prepare the fiscal impact analysis of the entire Alhambra Valley (see Attachment C). The fiscal impact analysis was based on two assumptions:

- A. Property tax estimates were based upon the current Master Tax Sharing Agreement between the City and Contra Costa County dated December 18, 1980. City staff has met with County staff who indicated that this formula would still be the basis of negotiation; and
- B. Revenue and expenditure projections were determined for two time frames—at annexation and at build out.

The following are the key findings of the annexation report:

- 1. At the outset, general fund expenditures required to serve the proposed Alhambra Valley will slightly exceed the revenue generated from this area; but it will not require increased personnel to meet minimum service levels which is 80% of the City's operating costs.
- 2. The estimated fiscal shortfall will decrease as new residential development occurs in Alhambra Valley based upon conservatively estimated build out;
- 3. Potential annexation benefits could be realized by the City to the extent that costs can be minimized or revenues maximized; and
- 4. Annexed properties will contribute towards the repayment of the Measure H Park Bonds (up to a maximum of \$34.71/\$100,000 assessed value).

After careful review of the EPS Report, especially the revenue and expenditure analyses on Tables 1 and 2, staff recommended to the Council that the City only move forward with the annexation of *Area A* of the proposed Alhambra Valley annexation. The Council concurred. *Area A* includes the majority of the deferred annexation agreements. Based upon a conservative build out assumption, *Area A* will reach fiscal breakeven with the construction of all the single-family residential units that have already been approved by Contra Costa County.

The report notes that there is limited development potential in Area B (Millthwait/Gordon) and Area C (Wanda Way/East of Alhambra Valley Road). Without new development, the current Property Tax Sharing Agreement does not provide sufficient property tax revenue to support the municipal services that will be needed to serve these two areas.

**ACTION:**

Approve the following six actions:

1. Motion approving a resolution adopting a Negative Declaration pursuant to the California Environmental Quality Act (CEQA).
2. Motion approving a resolution amending the Martinez General Plan Land Use Element and Land Use Map to incorporate four new land use designations (Estate Residential-Low, Estate Residential-Very Low, Agricultural Lands, and Open Space) and to apply said designations to the affected parcels; **AND** amending the Martinez General Plan Land Use Element, Scenic Roadways Element, Parks and Recreation Element, and Transportation Element to incorporate policies related to the annexation area.
3. Motion introducing an ordinance amending the Martinez Zoning Ordinance to include a new chapter (Chapter 22.29): the Alhambra Valley Districts which will contain four new zoning districts; (AV/R-20 Single Family District; AV/R-40 Single Family District; AV/A-5 Agriculture District; and AV/PD Planned Development District).
4. Motion introducing an ordinance amending the Martinez Zoning Map to show the annexation area and the new Zoning Districts for the annexation area; **AND** approving the Pre-Zonings for the properties to be annexed.
5. Motion adopting a resolution approving the Alhambra Valley Design Guidelines.
6. Motion to direct staff to prepare and submit an annexation application to Contra Costa Local Agency Formation Commission (LAFCO).

**ATTACHMENTS:**

- A. Area Location Map
- B. Proposed Alhambra Valley Annexation Area Map (Reviewed by Planning Commission)
- C. Economic & Planning Systems, Inc Annexation Analysis (June 2009)
- D. Planning Commission Resolution No. PC 10-04
- E. Planning Commission Staff Report and Meeting Minutes (May 25, 2010)
- F. Planning Commission Staff Report and Meeting Minutes (June 29, 2010)
- G. Planning Commission Staff Report and Meeting Minutes (August 10, 2010)
- H. Alhambra Valley Properties with Deferred Annexation Agreements Map
- I. Proposed Alhambra Valley Annexation Area Map (Revised by Staff)
- J. Proposed City of Martinez Land Use Map for Annexation Area
- K. Contra Costa County Existing Land Use Map (General Plan)
- L. Proposed City of Martinez AV Zoning Map for Annexation Area
- M. Contra Costa County Existing Zoning Map
- N. Proposed Zoning Ordinance Amendments
- O. Filing Requirements for Submitting Boundary Change Applications (LAFCO)
- P. Resolution of Application (LAFCO; Distribution to Council to Follow)
- Q. Completed Proposal Questionnaire (LAFCO)

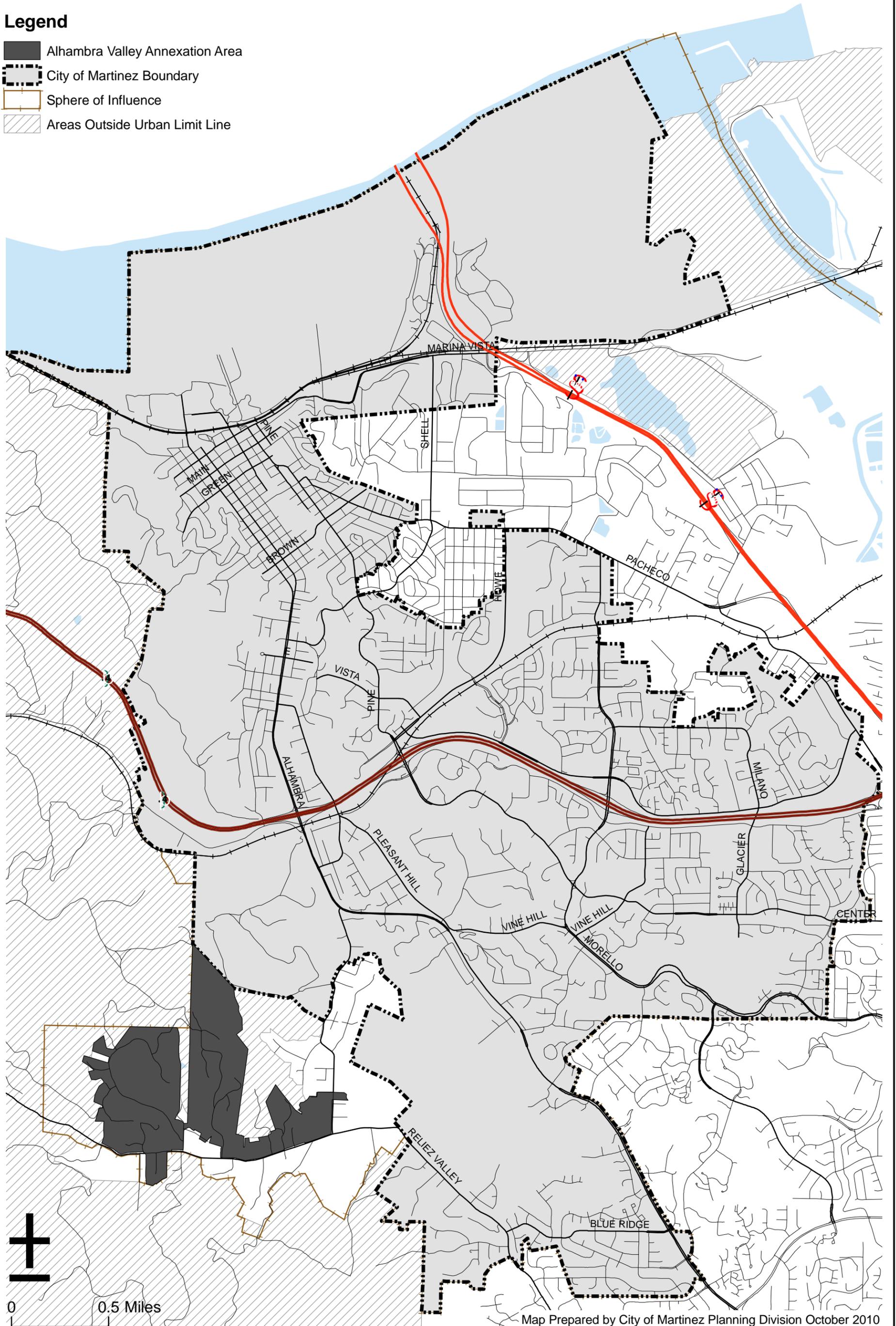
**RESOLUTIONS AND ORDINANCES**

**APPROVED BY:**   
City Manager

# City of Martinez Site Vicinity Map

## Legend

-  Alhambra Valley Annexation Area
-  City of Martinez Boundary
-  Sphere of Influence
-  Areas Outside Urban Limit Line



## Report

*The Economics of Land Use*

# ANNEXATION ANALYSIS OF ALHAMBRA VALLEY/STONEHURST AREA



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City of Martinez

Prepared by:

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June 2009

EPS #19024

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### APPENDIX A: FISCAL IMPACTS

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## 1. INTRODUCTION

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This report presents a fiscal analysis of the potential annexation of the Alhambra Valley/ Stonehurst area (annexation area) to the City of Martinez. Currently, the County of Contra Costa provides municipal services including sheriff protection, public works, and road maintenance to the area. The division of property taxes, and potentially sales taxes, from the area would be governed by a Tax Sharing Agreement to be negotiated between the City and the County. The City would also receive other revenues from the area to help in funding the municipal services that would transfer to City responsibility.

This analysis evaluates the potential annual fiscal impacts of the annexation on the City's General Fund and Road Fund budgets. It compares the costs to provide services to the Alhambra Valley/ Stonehurst area to the annual revenues that could be generated to the City. The impacts of capital facility and infrastructure funding are not included in this analysis. The methodology is summarized in this report, and detailed calculations and assumptions are further documented in **Appendix A**. All results are expressed in 2009 dollars.

The impacts of the potential annexation area are considered at two time periods: immediately after annexation and at buildout of vacant parcels. The time period until buildout will depend on future market conditions and City actions, such as revisions to the Alhambra Valley Specific Plan. The fiscal estimates in this analysis could change as a result of policy changes, actual service demands, and economic conditions. Given the magnitude of the potential annexation, the City will need to negotiate a tax sharing agreement with the County, which could include a sharing of sales tax; the current analysis assumes the distributions specified in the Master Property Tax Transfer Agreement for Allocation of Property Tax between the County of Contra Costa and City of Martinez.<sup>1</sup>

### Key Findings

**1. Following annexation, the City's expenditures required to serve the Alhambra Valley/Stonehurst area will exceed the revenues generated from this area.**

Net revenues generated from the annexation area would not be sufficient to fund additional public services. Although the General Fund is estimated to experience a surplus of \$210,000, the Road Fund shortfall of (\$321,000) would result in the overall citywide shortfall of (\$111,000), as shown in **Table 1**. The Alhambra Valley/Stonehurst area includes a high number of road miles per population in low-density, semirural areas that will be expensive to maintain and will result in relatively high Public Works expenditures. In addition, the area has no commercial base and will not generate any sales tax to the City. The current County share of property tax is relatively low; therefore, the City's share will not be a significant contributor to fiscal viability.

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<sup>1</sup> Resolution 241-80 §99 (d).

**Table 1**  
**General Citywide Revenues and Expenditures at Annexation**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item                           | Alhambra Valley/Stonehurst |                   |                   | Total              |
|--------------------------------|----------------------------|-------------------|-------------------|--------------------|
|                                | Area A                     | Area B            | Area C            |                    |
| <b>General Fund</b>            |                            |                   |                   |                    |
| Revenues                       |                            |                   |                   |                    |
| Property Tax                   | \$61,736                   | \$8,697           | \$20,995          | <b>\$91,428</b>    |
| Property Tax In Lieu of VLF    | \$0                        | \$0               | \$0               | <b>\$0</b>         |
| Sales and Use Tax              | \$0                        | \$0               | \$0               | <b>\$0</b>         |
| Motor Vehicle In-Lieu VLF (1)  | \$20,084                   | \$8,825           | \$18,258          | <b>\$47,167</b>    |
| Business Licenses              | \$0                        | \$0               | \$0               | <b>\$0</b>         |
| Franchise Fees                 | \$10,381                   | \$4,561           | \$9,437           | <b>\$24,380</b>    |
| Document Transfer Tax          | \$7,905                    | \$1,114           | \$2,688           | <b>\$11,707</b>    |
| P-6 Police Tax (2)             | \$17,329                   | \$2,441           | \$5,893           | <b>\$25,664</b>    |
| Prop 172 Proceeds              | \$4,013                    | \$1,763           | \$3,648           | <b>\$9,424</b>     |
| <b>Total Revenues</b>          | <b>\$121,448</b>           | <b>\$27,402</b>   | <b>\$60,920</b>   | <b>\$209,769</b>   |
| Expenditures                   |                            |                   |                   |                    |
| Police (3)                     | \$0                        | \$0               | \$0               | <b>\$0</b>         |
| <b>Total Expenditures</b>      | <b>\$0</b>                 | <b>\$0</b>        | <b>\$0</b>        | <b>\$0</b>         |
| <b>Net General Fund Impact</b> | <b>\$121,448</b>           | <b>\$27,402</b>   | <b>\$60,920</b>   | <b>\$209,769</b>   |
| <b>Public Works/Road Fund</b>  |                            |                   |                   |                    |
| Revenues                       |                            |                   |                   |                    |
| Highway User Taxes (Gas Taxes) | \$7,008                    | \$3,079           | \$6,371           | <b>\$16,458</b>    |
| NPDES (4)                      | \$3,960                    | \$1,740           | \$3,600           | <b>\$9,300</b>     |
| <b>Total Revenues</b>          | <b>\$10,968</b>            | <b>\$4,819</b>    | <b>\$9,971</b>    | <b>\$25,758</b>    |
| Expenditures                   |                            |                   |                   |                    |
| Public Works                   | \$188,553                  | \$63,007          | \$95,641          | <b>\$347,201</b>   |
| <b>Total Expenditures</b>      | <b>\$188,553</b>           | <b>\$63,007</b>   | <b>\$95,641</b>   | <b>\$347,201</b>   |
| <b>Net Road Fund Impact</b>    | <b>(\$177,585)</b>         | <b>(\$58,188)</b> | <b>(\$85,670)</b> | <b>(\$321,443)</b> |
| <b>TOTAL NET IMPACTS</b>       | <b>(\$56,138)</b>          | <b>(\$30,786)</b> | <b>(\$24,750)</b> | <b>(\$111,674)</b> |

(1) Assumes the citywide average of \$6.77 per capita with additional \$50 per capita for new annexation.

(2) Based on the existing property tax allocation of 1.21% of the 1% property tax applied to residential and commercial parcels.

(3) No net police cost is assumed while P-6 and Prop 172 proceeds will help offset the cost of existing services.

(4) Assumed at \$30 per household.

Sources: City of Martinez and Economic & Planning Systems, Inc.

The area is estimated to generate \$26,000 in proceeds to County Service Area P-6 for sheriff protection. The analysis shows this revenue transferring to the City upon annexation; however, this issue is subject to decisions to be made by LAFCO and should also be discussed as part of negotiations with the County regarding the sharing of property taxes from the area.

**2. The fiscal shortfalls will decrease as new growth occurs in the annexation area, though citywide expenditures will continue to exceed revenues at buildout.**

New revenues from future growth will reduce the funding gap after annexation. However, as the buildout for the annexation area occurs, the costs will still likely exceed the revenues generated from the annexation area. The fiscal surplus of \$300,000 to the General Fund will nearly offset the Road Fund shortfall of (\$316,000) at buildout. The total fiscal impact is therefore estimated at negative (\$16,000) for the Alhambra Valley/Stonehurst area and is shown in **Table 2**.

While Areas B and C will continue experiencing fiscal shortfalls at buildout, the revenues generated in Area A will exceed expenditures as new growth occurs. By buildout, Area A is estimated to result in the citywide surplus of \$27,000.

**3. Potential annexation fiscal shortfalls would be reduced to the extent that the costs could be minimized or revenues increased.**

The City and County could negotiate a property tax sharing arrangement that differs from the distribution assumed in this report, which would increase the revenues estimated in this report. The City could also consider the potential to create an assessment to help fund service costs to the area.

**4. Annexed properties will contribute towards repayment of City park bonds.**

Existing and new development in the annexed area would contribute towards repayment of recently issued park bonds. These payments could contribute \$70,000 to \$90,000<sup>2</sup> towards reducing the burden upon other City taxpayers and/or could help to reduce the total years required for repayment of the bonds.

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<sup>2</sup> Assumes \$34/\$100,000 assessed value.

**Table 2**  
**General Citywide Revenues and Expenditures at Buildout**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item                           | Alhambra Valley/Stonehurst |                   |                   | Total              |
|--------------------------------|----------------------------|-------------------|-------------------|--------------------|
|                                | Area A                     | Area B            | Area C            |                    |
| <b>General Fund</b>            |                            |                   |                   |                    |
| Revenues                       |                            |                   |                   |                    |
| Property Tax                   | \$102,424                  | \$10,440          | \$24,479          | \$137,343          |
| Property Tax In Lieu of VLF    | \$24,759                   | \$1,060           | \$2,120           | \$27,940           |
| Sales and Use Tax              | \$0                        | \$0               | \$0               | \$0                |
| Motor Vehicle In-Lieu VLF (1)  | \$20,084                   | \$8,825           | \$18,258          | \$47,167           |
| Business Licenses              | \$0                        | \$0               | \$0               | \$0                |
| Franchise Fees                 | \$14,392                   | \$4,876           | \$10,224          | \$29,491           |
| Document Transfer Tax          | \$10,510                   | \$1,225           | \$2,911           | \$14,646           |
| P-6 Police Tax (2)             | \$23,040                   | \$2,686           | \$6,382           | \$32,108           |
| Prop 172 Proceeds              | \$5,563                    | \$1,885           | \$3,952           | \$11,400           |
| <b>Total Revenues</b>          | <b>\$200,772</b>           | <b>\$30,997</b>   | <b>\$68,326</b>   | <b>\$300,096</b>   |
| Expenditures                   |                            |                   |                   |                    |
| Police (3)                     | \$0                        | \$0               | \$0               | \$0                |
| <b>Total Expenditures</b>      | <b>\$0</b>                 | <b>\$0</b>        | <b>\$0</b>        | <b>\$0</b>         |
| <b>Net General Fund Impact</b> | <b>\$200,772</b>           | <b>\$30,997</b>   | <b>\$68,326</b>   | <b>\$300,096</b>   |
| <b>Public Works/Road Fund</b>  |                            |                   |                   |                    |
| Revenues                       |                            |                   |                   |                    |
| Highway User Taxes (Gas Taxes) | \$9,715                    | \$3,292           | \$6,902           | \$19,909           |
| NPDES (4)                      | \$5,490                    | \$1,860           | \$3,900           | \$11,250           |
| <b>Total Revenues</b>          | <b>\$15,205</b>            | <b>\$5,152</b>    | <b>\$10,802</b>   | <b>\$31,159</b>    |
| Expenditures                   |                            |                   |                   |                    |
| Public Works                   | \$188,553                  | \$63,007          | \$95,641          | \$347,201          |
| <b>Total Expenditures</b>      | <b>\$188,553</b>           | <b>\$63,007</b>   | <b>\$95,641</b>   | <b>\$347,201</b>   |
| <b>Net Road Fund Impact</b>    | <b>(\$173,348)</b>         | <b>(\$57,855)</b> | <b>(\$84,839)</b> | <b>(\$316,042)</b> |
| <b>TOTAL NET IMPACTS</b>       | <b>\$27,425</b>            | <b>(\$26,858)</b> | <b>(\$16,513)</b> | <b>(\$15,947)</b>  |

(1) Assumes the citywide average of \$6.77 per capita with additional \$50 per capita for new annexation.

(2) Based on the existing property tax allocation of 1.21% of the 1% property tax applied to residential and commercial parcels.

(3) No net police cost is assumed while P-6 and Prop 172 proceeds will help offset the cost of existing services.

(4) Assumed at \$30 per household.

Sources: City of Martinez and Economic & Planning Systems, Inc.

## 2. PROJECT DESCRIPTION

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The City of Martinez is located in Central Contra Costa County and is home to 36,000 residents. The City is surrounded by unincorporated areas, two of which—North Pacheco and Alhambra Valley/Stonehurst—are being considered for annexation to the City. Both areas proposed for the annexation are located within the City's urban limit line and are currently served by Contra Costa County. This report pertains to the Alhambra Valley/Stonehurst area annexation. The analysis for the North Pacheco area is provided under separate cover.

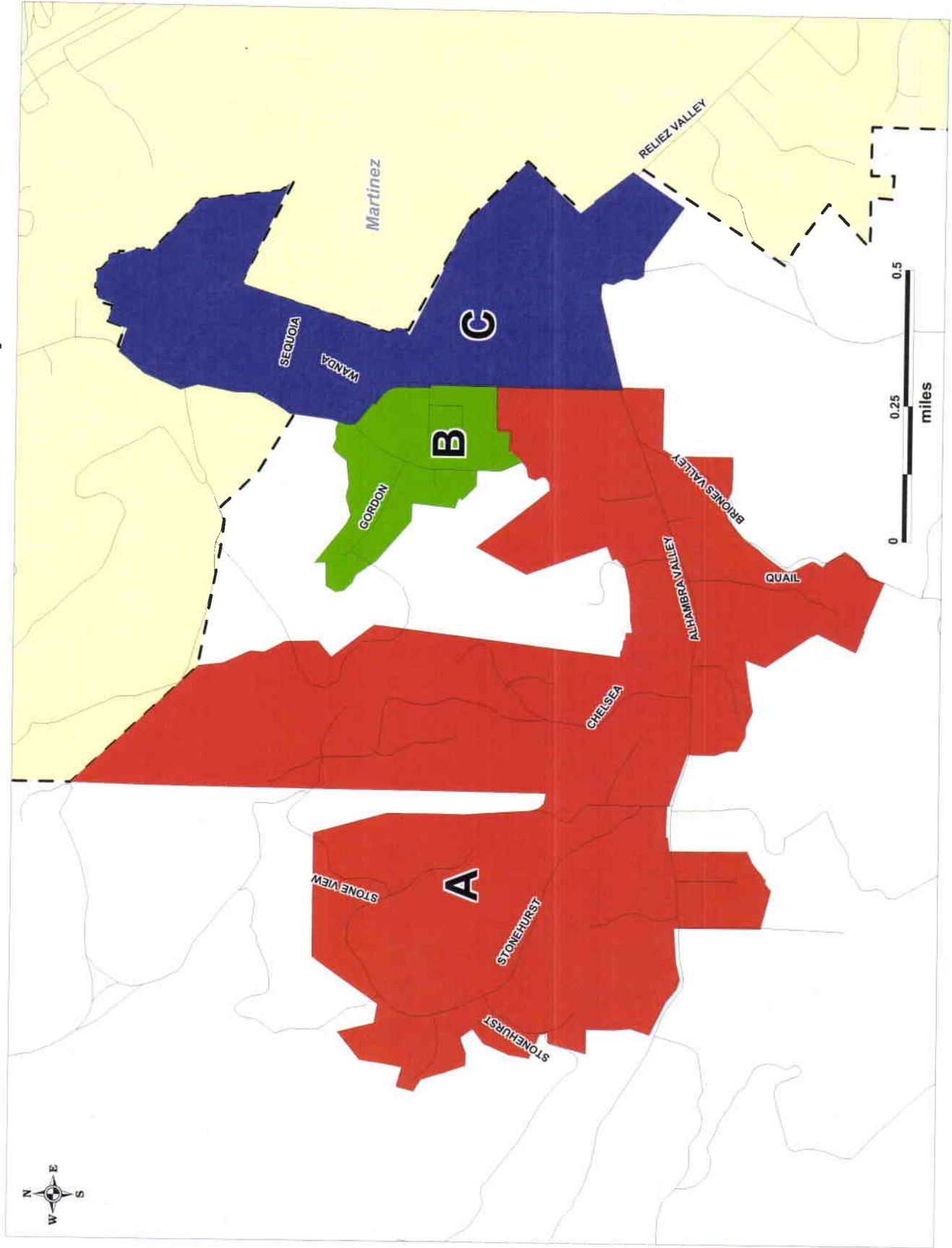
### **Alhambra Valley/Stonehurst**

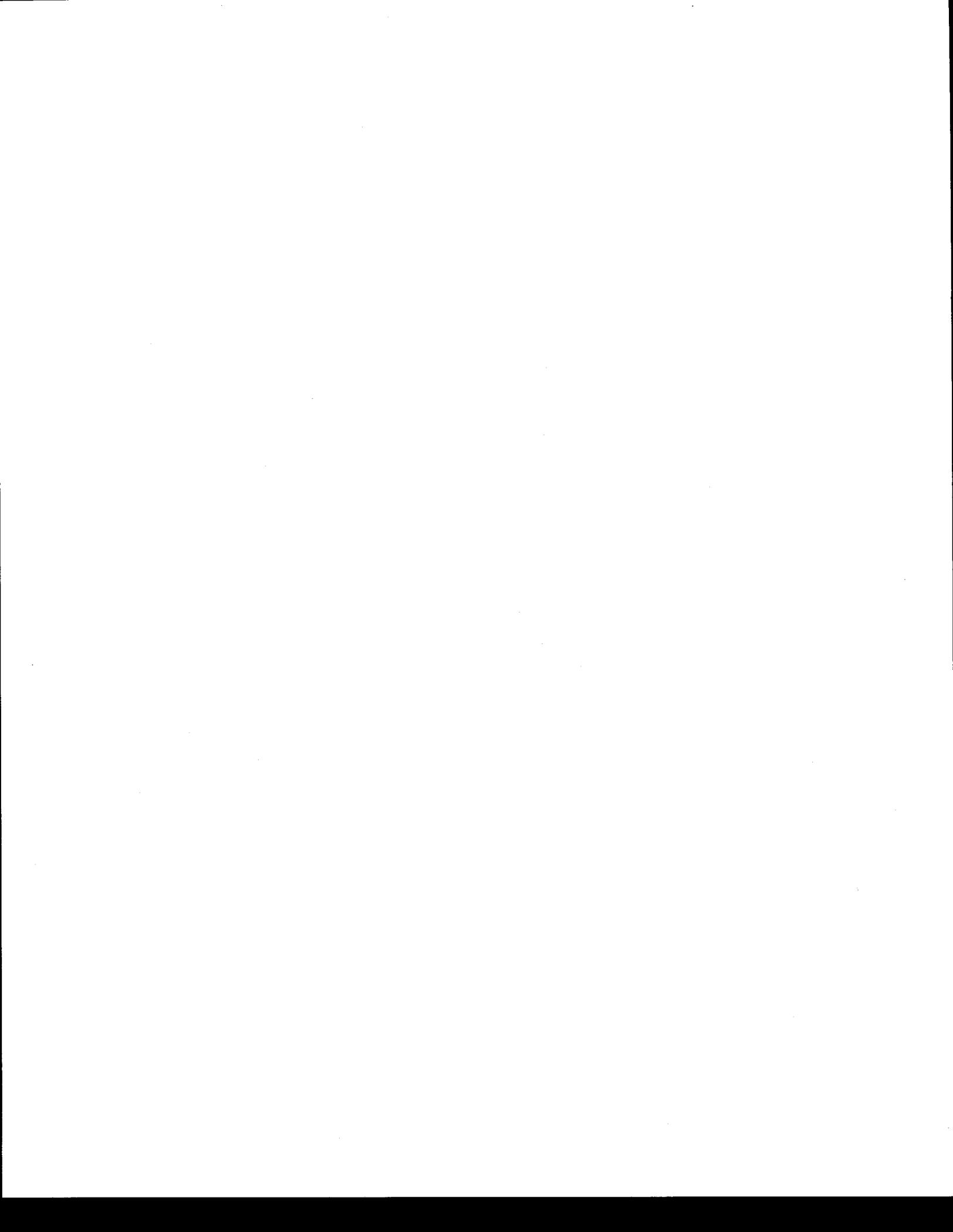
The Alhambra Valley/Stonehurst area is located adjacent to the City's southwest edge, as shown in **Figure 1**. It consists of lower-density residential uses with a rural character. It has a population of about 830 residents and assessed value of \$213 million, as summarized in **Table 3**.

Development in the Alhambra Valley is currently subject to the County's approved Alhambra Valley Specific Plan adopted in 1992 that caps future development at 231 units. Between 1992 and 2007, 81 dwelling units were built, leaving 150 potential new units in the future. Based on project approvals in Area A, the "Buildout" forecast assume 51 new units built in Area A, in addition to new units in other subareas.

A portion of the residential communities in the annexation area are gated with roads and sidewalks privately maintained through homeowners' association fees. The City has tabulated the streets and roads located within the Alhambra Valley/Stonehurst area that will be public and maintained by the City upon annexation. This analysis assumes that about 5.7 miles of roads will be publicly maintained in the Alhambra Valley/Stonehurst area.

Figure 1:  
Proposed Alhambra Valley / Stonehurst Annexation Area and Analysis Sections





**Table 3**  
**Proposed Annexation Areas Description**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Alhambra Valley/Stonehurst               |               |              |              |               |
|--|---------------|--------------|--------------|---------------|
| Item                                     | Area A        | Area B       | Area C       | Total         |
| <b>2009 Total</b>                        |               |              |              |               |
| Residential Parcels                      |               |              |              |               |
| Occupied                                 | 132           | 58           | 120          | 310           |
| Vacant                                   | 14            | 4            | 8            | 26            |
| Total                                    | 146           | 62           | 128          | 336           |
| Commercial Parcels                       |               |              |              |               |
| Occupied                                 | 0             | 0            | 0            | 0             |
| Vacant                                   | 0             | 0            | 0            | 0             |
| Total                                    | 0             | 0            | 0            | 0             |
| Other Parcels                            |               |              |              |               |
| Land                                     | 37            | 0            | 2            | 39            |
| Unbuildable Vacant                       | 1             | 4            | 2            | 7             |
| Miscellaneous (1)                        | 17            | 0            | 2            | 19            |
| Total                                    | 55            | 4            | 6            | 65            |
| Total Parcels                            | 201           | 66           | 134          | 401           |
| Population (2)                           | 354           | 155          | 322          | 831           |
| Assessed Value                           |               |              |              |               |
| Residential (per unit)                   |               |              |              |               |
| Occupied                                 | \$579,992     | \$364,742    | \$330,724    | \$443,229     |
| Vacant                                   | \$261,667     | \$40,028     | \$113,201    | \$181,887     |
| Commercial                               |               |              |              |               |
| Occupied                                 | na            | na           | na           | na            |
| Vacant                                   | na            | na           | na           | na            |
| Total Assessed Value                     | \$143,723,260 | \$20,247,935 | \$48,877,027 | \$212,848,223 |
| <b>Buildout Total (3)</b>                |               |              |              |               |
| Residential Parcels                      |               |              |              |               |
| Occupied                                 | 183           | 62           | 130          | 375           |
| Vacant                                   | 0             | 0            | 0            | 0             |
| Total                                    | 183           | 62           | 130          | 375           |
| Commercial Parcels                       |               |              |              |               |
| Occupied                                 | 0             | 0            | 0            | 0             |
| Vacant                                   | 0             | 0            | 0            | 0             |
| Total                                    | 0             | 0            | 0            | 0             |
| Other Parcels                            |               |              |              |               |
| Land                                     | 0             | 0            | 0            | 0             |
| Unbuildable Vacant                       | 1             | 4            | 2            | 7             |
| Miscellaneous (1)                        | 17            | 0            | 2            | 19            |
| Total                                    | 18            | 4            | 4            | 26            |
| Total Parcels                            | 201           | 66           | 134          | 401           |
| Population (2)                           | 490           | 166          | 348          | 1,005         |
| Total Occupied Assessed Value (4)        | \$194,748,044 | \$22,436,386 | \$53,837,894 | \$271,022,324 |
| (less) Value Lost to New Development (5) | (\$3,663,339) | (\$160,112)  | (\$905,607)  | (\$4,729,059) |
| New Assessed Value                       | \$191,084,704 | \$22,276,274 | \$52,932,287 | \$266,293,266 |

Note: Area A includes 51 additional parcels listed as land in 2009 with all assumed to be developed by residential uses by buildout. Development potential based on approved projects.

- (1) Include public, nonprofit and other miscellaneous uses.
- (2) An unincorporated county population average of 2.68 is assumed.
- (3) Assumes that all vacant parcels and developable land will be developed.
- (4) Market value of new residential units are assumed to be approximately \$1 million for area A and 50% above current average assessed value for the other areas; other uses are assumed to maintain the existing assessed values.
- (5) Reflects the assessed value of currently vacant parcels assumed to be developed and occupied by buildout.

Sources: City of Martinez, GIS, and Economic & Planning Systems, Inc.

### 3. REVENUES

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This chapter summarizes key revenues that will be generated as annexation occurs. Revenues at annexation and buildout are shown in **Table 1**, with the City's budget summary and estimating factors shown in **Table A-1**. Additional details regarding assumptions and calculations are included in **Appendix A**.

#### **Property Tax**

Property tax based on 1.0 percent of assessed value is currently collected by Contra Costa County. The City of Martinez will share in a portion of the County's tax share based on a Property Tax Transfer Agreement to be negotiated between Contra Costa County and the City; the analysis assumes the distributions specified in the Master Property Tax Transfer Agreement for Allocation of Property Tax between the County of Contra Costa and City of Martinez,<sup>3</sup> whereby the City would receive 22.85 percent of the County's current property tax base from the area.

In addition, the City is assumed to share 45.69 percent of the County's 19 percent tax share from future assessed value growth, resulting in a City share of approximately 9 percent from future growth. This allocation of base tax and increment translates into the City's overall tax capture of about 5.2 percent of total property tax at buildout. The property tax calculations are demonstrated in **Tables A-2** and **A-3**. New residential values are assumed to range between \$500,000 and \$1,000,000 per unit, with the higher values in Area A.

Property taxes and assessed values are based on 2008-09, which generally increased slightly by comparison to the prior year. It is likely that the 2009-10 property tax revenues will decline relative to the assumptions in the current analysis.

#### **Property Tax In-Lieu of Vehicle License Fees**

Recent changes in the State budget converted a significant portion of Motor Vehicle License Fee (VLF) subventions, previously distributed by the State based on a per-capita formula, into property tax distributions. These distributions increase over time based on assessed value growth, though the increase in assessed value in the initial year of annexation would not be reflected in the citywide assessed value formula. Although the City's Property Tax In-Lieu of VLF does not increase because of the initial bump in assessed value, State Law does provide an allocation of VLF based on the population of the annexed areas. The City will receive \$50 per capita based on an allocation determined by State legislation (AB 1602). The annual amount will change depending on the growth in Statewide VLF and population.

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<sup>3</sup> Resolution 241-80 §99 (d).

In future years, increased values in the annexation area will contribute to growth in citywide assessed value; this growth will result in additional property tax in-lieu of VLF to the City, as shown in **Table A-3**.

VLF proceeds<sup>4</sup> will also be generated as a result of the population added by the annexation. The initial amount allocated to the City is based on a per-capita amount of \$6.77 per resident.

## **Sales Tax**

Given the lack of commercial space and established nature of existing retail patterns, the annexation will not result in new sales tax revenues. As a result, no sales tax proceeds are assumed to be generated from the Alhambra Valley/Stonehurst area (see **Table A-4**). Sales tax revenues are likely to increase slightly from new population growth as the area builds out over time, though this impact is not considered in this analysis.

## **Business License Tax**

Business license tax is a general tax on businesses within a local jurisdiction. The Alhambra Valley/Stonehurst area is estimated to result in no new business license tax to the City given a lack of commercial space in the area.

## **Franchise and Other Fees**

Annexation of the Alhambra Valley/Stonehurst area will result in additional revenue to the City through franchise fees and license, permit, and other fees, as well as fines and forfeitures. A service population approach is used to estimate these revenues.

## **Document Transfer Tax**

Martinez receives a document transfer tax of \$0.55 per \$1,000 of transferred value upon sale of a property. The analysis estimates the tax based on the existing assessed values upon annexation and projected assessed values at buildout. The City will receive the tax upon sale of the newly developed units, as well as the resale of built space. The resale of built space is assumed to occur every ten years, on average, or about 10 percent annually.

## **Other Revenues**

Services funded by fees and/or provided by other agencies will continue after annexation. Central Contra Costa Sanitary District and the County Sanitation District #6 will continue wastewater service to the Alhambra Valley/Stonehurst area. These services, or future changes to service, are assumed to have no impact on the City's General Fund.

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<sup>4</sup> Called Motor Vehicle in Lieu of VLF in the City's budget.

The analysis does not assume revenues from the County Service Area L-100 lighting and landscape district. The City could explore the transfer of assessments and parcel taxes to the City. Currently, assessment revenue is estimated at less than \$1,000 annually from CSA L-100, as it applies to a minimal number of parcels.

## 4. EXPENDITURES

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This chapter summarizes the key public costs for services that will be required as annexation occurs. This analysis applies the "case study" approach and is based on interviews with the City's departments. The costs are shown in **Table 1**.

Currently, municipal services are provided by Contra Costa County. Following the annexation, municipal services, such as police, community development, and public works, will be provided by Martinez. In some cases, the City services will replace the current assessments, such as L-100 lighting and landscape district, which covers a portion of the area. Other services, such as County Health and Human Services, will continue to be provided by the County. Other agencies will also continue to provide services, including wastewater service provided by special districts.

### **General Government**

The City's General Government includes City Council, City Clerk, City Treasurer, City Manager, City Attorney, and Economic Development. The potential annexation is assumed to have no significant impact on the General Government costs.

### **Administrative Services**

The Administrative Services Department consists of Administration, Finance, Personnel, and Information Systems and is charged with the overall administration of the City's programs. The potential annexation is assumed to have no impact on the Administrative Services Department costs.

### **Public Works / Road Fund**

The Public Works Department is responsible for the City's maintenance, fleet management, water system treatment, and parking meter collection functions. Maintenance of roadways will include routine maintenance, striping and signs, storm drain, nuisance abatement and street sweeping, as well as resurfacing and reconstruction that will be necessary as roads age.

It is assumed that annual costs based on 5.7 miles of publicly maintained roads in the annexation area will be incurred by the City. These costs are based on the optimum target level of maintenance which currently may not be consistently achieved by the City.

A portion of the public works cost estimates associated with pothole repair is excluded from the analysis as these costs are assumed to be covered by pavement and road maintenance costs. In addition, a portion of the road maintenance expenditure is assumed to be offset by NPDES and Highway User taxes (Gas Taxes), as shown in **Table A-5**. Overhead and administration costs are not included in the cost estimates.

## **Police Services**

Upon annexation, police service responsibility would be transferred from the County Sheriff's Office to the City's Police Department. Given the minimal number of calls from the Alhambra Valley/Stonehurst area, the current level of City staffing is substantial to handle additional calls from the area associated with the annexation.

The annexation will also result in new County Service Area P-6<sup>5</sup> and Prop 172 proceeds to the City, which is a statewide sales tax dedicated to public safety. Police service costs are shown in **Table A-6**. No significant increases in service demands are projected; therefore, it is anticipated that service requirements can be met by the existing police department capacity, according to the City's police department.

## **Community and Economic Development**

The Community and Economic Development Department is responsible for managing the City's Planning, Engineering, and Community Services/Recreation functions. The costs associated with Community Development are assumed to have no impact on the General Fund as the majority of expenditures will be offset by fees.

## **Other Services**

### **Fire Protection**

Fire prevention and emergency services are provided by the Contra Costa County Fire Protection District (CCCFPD) to the potential annexation area and the City of Martinez. Fire services are not affected by the annexation.

### **Water**

The City will continue its water provision to the Alhambra Valley/Stonehurst area. This service is funded by a special tax and is assumed to have no impact on the City.

### **Wastewater**

Wastewater service will continue to be provided by several special districts. Central Contra Costa Sanitary District and the County Sanitation District No. 6 will continue wastewater service to the Alhambra Valley/Stonehurst area. These services are assumed to have no impact on the City's General Fund.

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<sup>5</sup> Include property taxes and special taxes.

LAFCO will consider transferring responsibility from the County to the City for wastewater services currently provided by County Sanitation District No. 6. The District is fully funded by assessments paid by property owners. The Municipal Services Review prepared for the area<sup>6</sup> indicated, however, that the District had not established adequate reserves for operations or for capital replacement. If the City assumes responsibility for these areas, it may need to establish a rate structure to assure sufficient reserves.

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<sup>6</sup> Water and Wastewater Services Municipal Services Review for Central Contra Costa County, Contra Costa LAFCO, April 9, 2008

**APPENDIX A:  
FISCAL IMPACTS**



**Table A-1**  
**Budget Summary and Estimating Factors**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item                             | FY2008-09<br>Budget  | Allocation Factor              |
|----------------------------------|----------------------|--------------------------------|
| <b>General Fund Revenues</b>     |                      |                                |
| Property Tax                     | \$7,169,946          | Tables A-2 and A-3             |
| Property Tax In Lieu of VLF      | \$2,522,970          | Table A-3                      |
| Sales and Use Tax                | \$3,829,699          | Table A-4                      |
| Motor Vehicle In-Lieu VLF        | \$244,800            | \$6.77 per capita (1)          |
| Transient Occupancy Tax          | \$275,706            | - not impacted                 |
| Business Licenses                | \$520,200            | \$22.83 per employee           |
| Franchise Fees                   | \$1,395,000          | \$29.34 per service population |
| Document Transfer Tax            | \$286,761            | \$0.55 of \$1,000 in value     |
| Water System In-Lieu Tax         | \$391,492            | - not impacted                 |
| Subtotal                         | \$16,391,774         |                                |
| License, Permit, and Fees        | \$684,000            | \$14.39 per service population |
| Fines and Forfeits               | \$303,000            | \$6.37 per service population  |
| Intergovernmental                | \$553,350            | - not impacted                 |
| Charges for Service              | \$746,500            | - not impacted                 |
| Use of Money and Property        | \$396,000            | - not impacted                 |
| Other Revenue (2)                | \$162,300            | - not impacted                 |
| Subtotal                         | \$2,845,150          |                                |
| <b>Total Revenues</b>            | <b>\$19,236,924</b>  |                                |
| <b>General Fund Expenditures</b> |                      |                                |
| General Government (3)           | \$1,108,835          | - not impacted                 |
| Administrative Services          | \$822,509            | - not impacted                 |
| Public Works                     | \$3,927,141          | case study                     |
| Police                           | \$10,307,758         | \$126,435 per sworn officer    |
| Community Development (4)        | \$2,956,508          | - not impacted                 |
| Non-Departmental (5)             | \$1,261,099          | - not impacted                 |
| <b>Total Expenditures</b>        | <b>\$20,383,850</b>  |                                |
| <b>Net</b>                       | <b>(\$1,146,926)</b> |                                |
| <b>Other Sources of Funds</b>    |                      |                                |
| Highway User Taxes               | \$724,500            | Table A-5                      |
| Prop 172 Proceeds                | \$410,000            | Table A-6                      |
| Subtotal                         | \$1,134,500          |                                |

Note: excludes operating and capital transfers.

(1) City would receive additional \$50 per capita based on AB1602.

(2) Includes water system admin fee, solid waste, maps and publications, interest payment on loan, miscellaneous revenue, refunds, and rebates, workers comp/liability rebate, restitution, damage and recoveries, and donations and contributions.

(3) Includes City Council, City Clerk, City Treasurer, City Manager, City Attorney, and Economic Development.

(4) The Economic Development portion of the department's budget is included under the General Government costs.

(5) Includes General Services, Franchise, Contingencies, and Retiree Benefits.

Sources: City of Martinez and Economic & Planning Systems, Inc.

**Table A-2**  
**Property Tax and Property Tax In Lieu of VLF Calculation**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item                                | Alhambra Valley/Stonehurst        |                 |                |                 | Total           |
|-------------------------------------|-----------------------------------|-----------------|----------------|-----------------|-----------------|
|                                     | Assumption/Factor                 | Area A          | Area B         | Area C          |                 |
| Baseline Property Tax Revenue       |                                   |                 |                |                 |                 |
| Base Assessed Value (current value) |                                   | \$143,723,260   | \$20,247,935   | \$48,877,027    | \$212,848,223   |
| Property Tax                        | 1.0% of base assessed value       | \$1,437,233     | \$202,479      | \$488,770       | \$2,128,482     |
| Existing County Tax (1)             |                                   | \$270,238       | \$38,071       | \$91,902        | \$400,211       |
| City Share (2)                      | 22.85% of the existing County tax | \$61,736        | \$8,697        | \$20,995        | \$91,428        |
| <b>New Property Tax to the City</b> |                                   | <b>\$61,736</b> | <b>\$8,697</b> | <b>\$20,995</b> | <b>\$91,428</b> |

(1) Based on the proposed areas' share of the total AV for each TRA; Area A and Area B consist of two separate TRAs; post ERAF.

(2) Based on the Master Property Tax Transfer Agreement for Allocation of Property Tax between Contra Costa County and the City of Martinez.

Sources: City of Martinez; Contra Costa County Auditor's Office; and Economic & Planning Systems, Inc.

**Table A-3  
Property Tax and Property Tax In Lieu of VLF Calculation  
Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item  | Assumption/Factor                   | Alhambra Valley/Stonehurst |                 |                 | Total            |
|---|-------------------------------------|----------------------------|-----------------|-----------------|------------------|
|   |                                     | Area A                     | Area B          | Area C          |                  |
| <b>Baseline Property Tax Revenue</b>          |                                     |                            |                 |                 |                  |
| Base Assessed Value (current value)           | 1.0% of base assessed value         | \$143,723,260              | \$20,247,935    | \$48,877,027    | \$212,848,223    |
| Property Tax                                  |                                     | \$1,437,233                | \$202,479       | \$488,770       | \$2,128,482      |
| Existing County Tax (1)                       |                                     | \$270,238                  | \$38,071        | \$91,902        | \$400,211        |
| City Share (2)                                | 22.85% of the existing County share | \$61,736                   | \$8,697         | \$20,995        | \$91,428         |
| <b>Tax Increment Property Tax Revenue (1)</b> |                                     |                            |                 |                 |                  |
| Assessed Value Gross Increment (at buildout)  | 1.0% of AV increment                | \$47,361,444               | \$2,028,338     | \$4,055,260     | \$53,445,043     |
| Property Tax                                  |                                     | \$473,614                  | \$20,283        | \$40,553        | \$534,450        |
| County Tax Share (1)                          | 18.8%                               | \$89,038                   | \$3,814         | \$7,605         | \$100,457        |
| City TAF (2)                                  | 45.69% of the County tax share      | \$40,689                   | \$1,743         | \$3,484         | \$45,915         |
| <b>Net New Property Tax to the City</b>       |                                     | <b>\$102,424</b>           | <b>\$10,440</b> | <b>\$24,479</b> | <b>\$137,343</b> |
| <b>Property Tax In Lieu of VLF</b>            |                                     |                            |                 |                 |                  |
| Existing Property Tax In Lieu of VLF          |                                     | \$2,522,970                | \$2,522,970     | \$2,522,970     | \$2,522,970      |
| Citywide Assessed Value (3)                   |                                     | \$4,826,097,584            | \$4,826,097,584 | \$4,826,097,584 | \$4,826,097,584  |
| % Increase in Assessed Value                  |                                     | 0.98%                      | 0.04%           | 0.08%           | 1.11%            |
| <b>Net New Property Tax In Lieu of VLF</b>    |                                     | <b>\$24,759</b>            | <b>\$1,060</b>  | <b>\$2,120</b>  | <b>\$27,940</b>  |

(1) Based on the proposed areas' share of the total AV for each TRA; Area A and Area B consist of two separate TRAs; post ERAF.

(2) Based on the Master Property Tax Transfer Agreement for Allocation of Property Tax between Contra Costa County and the City of Martinez.

(3) FY 2008-09 total tax rate base and the base assessed value of the proposed annexation areas combined.

Sources: City of Martinez; Contra Costa County Auditor's Office; and Economic & Planning Systems, Inc.

**Table A-4**  
**Sales Tax Calculations**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Alhambra Valley/Stonehurst         |        |        |        |       |
|------------------------------------|--------|--------|--------|-------|
| Item                               | Area A | Area B | Area C | Total |
| <b>2009 Total</b>                  |        |        |        |       |
| Existing Commercial Space (sq.ft.) | 0      | 0      | 0      | 0     |
| Taxable Sales                      | \$0    | \$0    | \$0    | \$0   |
| Sales Tax to the City              | \$0    | \$0    | \$0    | \$0   |
| <b>Buildout Total</b>              |        |        |        |       |
| Commercial Space (sq.ft.)          | 0      | 0      | 0      | 0     |
| Taxable Sales                      | \$0    | \$0    | \$0    | \$0   |
| Sales Tax to the City              | \$0    | \$0    | \$0    | \$0   |

Note: assumes no commercial sales tax-generating uses in the Alhambra Valley/Stonehurst area.

Sources: City of Martinez, Contra Costa County, GIS, and Economic & Planning Systems, Inc.

**Table A-5  
Public Works/Road Fund Annual Cost Estimate  
Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Alhambra Valley/Stonehurst         |           |          |          |           |
|------------------------------------|-----------|----------|----------|-----------|
| Expenses                           | Area A    | Area B   | Area C   | Total     |
| <b>2009 Total</b>                  |           |          |          |           |
| <b>Expenditures</b>                |           |          |          |           |
| Pavement                           | \$106,680 | \$36,432 | \$57,456 | \$200,568 |
| Annual Stripings/Signs             | \$48,600  | \$14,920 | \$21,720 | \$85,240  |
| Road Maintenance                   | \$8,150   | \$2,530  | \$4,315  | \$14,995  |
| Storm Drain                        | \$6,200   | \$3,250  | \$3,800  | \$13,250  |
| Nuisance Abatement                 | \$10,400  | \$3,000  | \$4,100  | \$17,500  |
| Street Sweeping                    | \$8,523   | \$2,875  | \$4,250  | \$15,648  |
| Total Road Fund Expenditure        | \$188,553 | \$63,007 | \$95,641 | \$347,201 |
| <b>Revenues</b>                    |           |          |          |           |
| Highway User Taxes (Gas Taxes) (1) | \$7,008   | \$3,079  | \$6,371  | \$16,458  |
| NPDES (2)                          | \$3,960   | \$1,740  | \$3,600  | \$9,300   |
| Total Road Fund Revenues           | \$10,968  | \$4,819  | \$9,971  | \$25,758  |
| <b>Buildout Total</b>              |           |          |          |           |
| <b>Expenditures</b>                |           |          |          |           |
| Total Public Works Expenditure (3) | \$188,553 | \$63,007 | \$95,641 | \$347,201 |
| <b>Revenues</b>                    |           |          |          |           |
| Highway User Taxes (Gas Taxes) (1) | \$9,715   | \$3,292  | \$6,902  | \$19,909  |
| NPDES (2)                          | \$5,490   | \$1,860  | \$3,900  | \$11,250  |
| Total Road Fund Revenues           | \$15,205  | \$5,152  | \$10,802 | \$31,159  |

(1) Includes Highway User Tax 2105, 2106, and 2107 proceeds based on the City's FY2008-09 budget per capita estimate of \$19.81.

(2) Assumed at \$30 per household.

(3) Assumed to be unchanged from the annexation period.

Sources: City of Martinez, and Economic & Planning Systems, Inc.

**Table A-6  
Police Department Service and Cost Estimate  
Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item                                 | Alhambra Valley/Stonehurst |          |         |          | Total    |
|--------------------------------------|----------------------------|----------|---------|----------|----------|
|                                      | Citywide Total             | Area A   | Area B  | Area C   |          |
| Sworn Officers                       | 39                         |          |         |          |          |
| Cost per Sworn Officer (1)           | \$126,435                  |          |         |          |          |
| Officers per 1,000 Population        | 1.1                        |          |         |          |          |
| <b>2009 Total</b>                    |                            |          |         |          |          |
| Population                           |                            | 354      | 155     | 322      | 831      |
| Project-Related Officer Increase (2) |                            | 0.00     | 0.00    | 0.00     | 0.00     |
| <b>Expenditures</b>                  |                            |          |         |          |          |
| Total Project Cost                   |                            | \$0      | \$0     | \$0      | \$0      |
| <b>Revenues</b>                      |                            |          |         |          |          |
| P-6 Police Tax (3)                   |                            | \$17,329 | \$2,441 | \$5,893  | \$25,664 |
| Prop 172 Proceeds (4)                | \$410,000                  | \$4,013  | \$1,763 | \$3,648  | \$9,424  |
| Total Revenues                       |                            | \$21,342 | \$4,205 | \$9,541  | \$35,088 |
| <b>Buildout Total</b>                |                            |          |         |          |          |
| Population                           |                            | 490      | 166     | 348      | 1005     |
| Project-Related Officer Increase (2) |                            | 0.00     | 0.00    | 0.00     | 0.00     |
| <b>Expenditures</b>                  |                            |          |         |          |          |
| Total Project Cost                   |                            | \$0      | \$0     | \$0      | \$0      |
| <b>Revenues</b>                      |                            |          |         |          |          |
| P-6 Police Tax (3)                   |                            | \$23,040 | \$2,686 | \$6,382  | \$32,108 |
| Prop 172 Proceeds (4)                | \$410,000                  | \$5,563  | \$1,885 | \$3,952  | \$11,400 |
| Total Revenues                       |                            | \$28,603 | \$4,571 | \$10,334 | \$43,508 |

(1) Provided by the Martinez Police Department.

(2) Based on the interview with the City's Police Department; based on the 2008 calls for service data, no staffing increased would be required as the result of the Alhambra Valley/Stonehurst area annexation.

(3) Based on the existing property tax allocation of 1.21% of the 1% property tax applied to residential and commercial parcels.

(4) Based on the citywide per capita distribution in FY2008-09 budget.

Sources: City of Martinez Budget and Economic & Planning Systems, Inc.

**Table A-7**  
**Citywide 2008 General Assumptions and Data**  
**Alhambra Valley/Stonehurst Annexation Study; EPS #19024**

| Item                   | Amount | Sources       |
|------------------------|--------|---------------|
| Housing Units          | 14,953 | DOF           |
| Occupied Households    | 14,649 | DOF           |
| Population             | 36,144 | DOF           |
| Persons/Household      | 2.4    | DOF           |
| Jobs (1)               | 22,789 | ABAG 2007     |
| Service Population (2) | 47,538 | DOF/ABAG 2007 |

(1) Estimates 2008 employment based on the annual growth rate of 1.5% between 2005 to 2010.

(2) Calculated by adding total residential population and half of total employment. It represents a measure of public service demand in which employees are given one-half the weight of residents because of more limited service requirements.

Sources: Department of Finance (2008), ABAG Projections 2007, and Economic & Planning Systems, Inc.

# Alhambra Valley Annexation

# Attachment B

## Legend

-  Annexation Boundary
-  City Limits
-  Sphere of Influence
-  Urban Limit Line

