



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
May 2, 2012**

TO: Mayor and City Council

FROM: Michael Chandler, Senior Management Analyst
Dina Tasini, Contract Planner

SUBJECT: Alhambra Valley Annexation Tax Sharing Agreement

DATE: April 26, 2012

RECOMMENDATION:

Adopt resolution approving Property Tax Exchange Apportionment Agreement with Contra Costa County for the Alhambra Valley Annexation to the City of Martinez.

BACKGROUND:

The City Council held a public hearing on December 1, 2010 to consider annexation of a portion of Contra Costa County referred to as Alhambra Valley. The Council took several actions at the public hearing (and, as respects the Municipal Code revisions, at the December 15, 2010 Council Meeting), necessary for LAFCO to process the annexation, including:

- Adoption of a Negative Declaration;
- General Plan amendment to the Martinez General Plan Land Use Element and Land Use Map to show the annexation area within the City limits and the new associated designations;
- Amendment to the Zoning Ordinance to include a new Chapter 22.29 to contain four new zoning districts;
- Amendment to the Zoning Map to show the annexation area within the City limits and the new Zoning Districts for the annexation area;
- Approved pre-zonings and General Plan Land Use designations of the properties to be annexed;
- Approved the Alhambra Valley Design Guidelines; and
- Directed staff to submit an application to the Local Agency Formation Commission (LAFCO).

The City filed its formal application with LAFCO on June 1, 2011. Before LAFCO can deem the annexation application complete and schedule the public hearing for the Commission’s consideration of the annexation, the City and Contra Costa County must reach formal agreement on the tax exchange between the parties. Staff and the County Administrator’s Office began discussions in July 2011 regarding the “tax sharing” agreement and met a number of times before finalizing the terms.

The parties agreed to apply the same calculations for property tax exchange as those expressed in the Master Property Tax Transfer Agreement (County Resolution 80-1373, adopted on December 2, 1980, and included as Attachment B). At the County's request, the City has also agreed to allow the County to continue processing, for a period of up to 5 years from the effective date of annexation, the two residential developments in the southeast portion of Alhambra Valley owned by Busby Construction: SD-8634, consisting of 23 lots, and SD-8947, consisting of 7 lots. The County has invested years of effort on these developments; approved the maps, entitlements, and conditions; and allowing the County to see these projects through to completion – within a reasonable timeframe – makes sense. A City zoning map depicting the locations of the aforementioned developments is included as Attachment C.

The County plans to follow the Council's action by adopting its tax sharing resolution for the Alhambra Valley annexation at its May 24, 2012 Board Meeting. Once LAFCO has received copies of both the City and the County's adopted resolutions, LAFCO will be able to schedule the annexations upon the City's request, subject to a requisite 21-day public noticing period for all affected landowners, registered voters within the annexation area, and those within 300 feet of the annexation area.

If the effective date of annexation is in 2012 (provided that it is prior to December 1, 2012) as is anticipated, the annexed area will not be reflected on the SBOE rolls until July 1, 2013, for property tax purposes. No sales tax revenues exist or are anticipated for the proposed annexation and as such are excluded from this tax sharing agreement.

FISCAL IMPACT:

Property tax estimates from the June 2009 Economic and Planning Systems (EPS) Annexation Analysis were based upon the expected application of the Master Tax Sharing Agreement and projected to be \$61,736 per year (as "Area A" in the report).

ACTION:

Motion to adopt resolution approving Property Tax Exchange Agreement with Contra Costa County for the Alhambra Valley Annexation to the City of Martinez.

ATTACHMENTS:

- A. Resolution approving Property Tax Exchange Agreement
- B. Master Property Tax Transfer Agreement
- C. Zoning Map Depicting County-retained Developments

APPROVED BY:


City Manager

RESOLUTION NO. -12

**APPROVING PROPERTY TAX EXCHANGE AGREEMENT WITH
CONTRA COSTA COUNTY FOR THE ALHAMBRA VALLEY ANNEXATION
TO THE CITY OF MARTINEZ**

WHEREAS, Section 99 of the Revenue and Taxation Code provides that the City and Contra Costa County shall agree by resolution to exchange property tax revenues among themselves and any affected agencies in the event of a jurisdictional change; and

WHEREAS, the Alhambra Valley Annexation (LAFC 11-07) involving annexation of territory to the City of Martinez is excluded from the application of the Master Property Tax Transfer Agreement, County Resolution 80-1373 adopted December 2, 1980 ("Master Agreement") between the City and the County because the assessed value of the affected territory exceeds \$10,000,000; and

WHEREAS, the City of Martinez and the County have agreed that, notwithstanding the amount of the assessed value generated in the territory of the subject annexation, the Master Agreement shall apply to the annexation; and

WHEREAS, the City and the County, in recognition of the time, effort, and expense that the County has invested in development projects in the proposed annexation area, have agreed that the County will retain, for a period of up to 5 years from the effective date of annexation, responsibility for processing of building permits and associated fees for subdivisions SD-8634 and SD-8947 in the annexation area; and

WHEREAS, the City desires to enact the terms stated below on the basis of the City's understanding that the County will adopt a resolution enacting the same terms and conditions of agreement as set forth by this Resolution at a meeting of the Board of Supervisors on a later date.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Martinez that, (1) in accordance with Section 99 of the Revenue and Taxation Code, the property tax transfer for the affected agencies in the area of the Alhambra Valley Annexation (LAFC 11-07) shall be in accordance with the Master Property Tax Transfer Agreement, and (2) the County will retain responsibility for processing building permits and associated fees for subdivisions SD-8634 and SD-8947 within the annexation area for a period of up to five years from the effective date of annexation; and

BE IT FURTHER RESOLVED that, the enactment of this resolution is contingent upon the adoption of a resolution by the County Board of Supervisors setting forth the same terms and conditions of agreement between the City and County and shall only take effect upon the adoption of the County's resolution enacting these same terms and conditions of agreement between the City and County.

* * * * *

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution duly adopted by the City Council of the City of Martinez at a Regular Meeting of said Council held on the 2nd day of May, 2012, by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, City Clerk
CITY OF MARTINEZ

ATTACHMENT B

Attachment B

IN THE BOARD OF SUPERVISORS
OF
CONTRA COSTA COUNTY, STATE OF CALIFORNIA

EY A

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In the Matter of

Adopting a Master Property Tax Transfer Agreement for the Allocation of Property Taxes Between the County of Contra Costa and the City of Martinez

RESOLUTION NO. 80/1373

IT IS BY THE BOARD OF SUPERVISORS RESOLVED that:

1. Under the authority of Revenue and Taxation Code Section 99(d), it hereby adopts a Master Property Tax Transfer Agreement for the allocation of property taxes between the County of Contra Costa and the City of Martinez upon jurisdictional changes, which is incorporated herein as Exhibit "A", and

2. The Chairwoman of the Board of Supervisors is authorized to execute the above referred agreement on behalf of the County.

PASSED by the Board on December 2, 1980.

CERTIFIED COPY

I certify that this is a full, true & correct copy of the original document which is on file in my office, and that it was passed & adopted by the Board of Supervisors of Contra Costa County, California, on the date shown. ATTEST: J. R. OLSSON, County Clerk & ex-officio Clerk of said Board of Supervisors, by Deputy Clerk.

Helen H. Kent on DEC. 2 1980

Helen H. Kent

Orig: County Administrator
cc: City of Martinez
Auditor-Controller
County Counsel
Local Agency Formation Commission

RESOLUTION NO. 80/ 1373

ATTACHMENT B

MASTER PROPERTY TAX TRANSFER AGREEMENT FOR ALLOCATION OF PROPERTY
TAX BETWEEN THE COUNTY OF CONTRA COSTA AND
CITY OF MARTINEZ UPON JURISDICTIONAL CHANGES
(R.&T.C. §99(d))

By Resolution 80-1373, adopted by the Board of Supervisors of the County of Contra Costa, and by Resolution 241-80, adopted by the City Council of Martinez, the County of Contra Costa (County) and the City of Martinez (City) agree as follows:

1. This Agreement is a master property tax transfer agreement, under authority of Revenue and Taxation Code §99(d) (Section 11, Chapter 801 of the Statutes of 1980), between the County and the City for the purpose of specifying the allocation of property tax revenues upon a jurisdictional change in which the City is an affected City and the County is an affected County.

2. Except for the exclusions specified herein, the jurisdictional changes governed by this Agreement are those local agency boundary changes defined in R.&T.C. §95(e) as jurisdictional changes, occurring during the applicable period of this Agreement, where the County is the affected County and the City is an affected City. The following jurisdictional changes are to be excluded from this Agreement: 1) boundary changes involving city incorporations or formations of districts (e.g., reorganizations involving concurrent formation of a special district and annexation to a city), 2) jurisdictional changes which would result in a special district providing one or more services to an area where such services have not been previously provided by any local agency and to which Section 99.1 of the Revenue and Taxation Code applies, 3) jurisdictional changes in which the total of the full values of all property in all tax rate areas comprising the affected territory exceed \$10,000,000, as shown on the latest equalized assessment rolls at the time the application is filed with the Local Agency Formation Commission, and 4) any jurisdictional change for which the sales tax revenue from the affected territory exceeds \$5000 for one or more of the three fiscal years preceding the date that the application is filed with the Local Agency Formation Commission.

3. The allocations specified herein (Paragraph 7, below) shall be made for any jurisdictional change governed by this Agreement as specified in Paragraph 2, above, if proceedings for the jurisdictional change have been or are completed after June 30, 1978; provided, however, that in the case of any such jurisdictional change for which proceedings are completed after December 31, 1902 this Agreement shall not apply if either of the parties hereto notifies the other in writing of the non-applicability of this Agreement and delivers such notification prior to the date that the petition or resolution for Local Agency Formation Commission approval of the jurisdictional change is accepted for filing by the

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Commission or its Executive Officer. Notwithstanding any of the foregoing, any property tax revenue allocated prior to the date this Agreement is signed by both parties hereto shall not be subject to reallocation, but this Agreement shall apply to all future allocations for the jurisdictional change.

4. For any property tax allocation to be made under this Agreement, the Auditor-Controller of Contra Costa County shall first apply Paragraph 7 herein and first allocate the property tax revenues thereunder for the fiscal year for which the State Board of Equalization makes the tax rate area change(s) for the jurisdictional change. Such fiscal year shall be known as the "initial year" and all later fiscal years as "subsequent years". Such allocation shall continue indefinitely thereafter unless changed by agreement of both parties hereto or until changed under the terms of this Agreement upon a subsequent jurisdictional change involving one or more of the tax rate areas within the affected territory of the prior jurisdictional change.

5. The following definitions shall apply to this Agreement. The references to code sections in these definitions shall mean the code sections in effect on October 1, 1980.

- a. "Base tax" shall mean those property tax revenues specified as being subject to allocation in R.&T.C. §§96(a) and 96(d) for fiscal year 1979-80 and R.&T.C. §§97(a) and (b) for fiscal year 1980-81 and later fiscal years. For the fiscal years after the initial year in which property taxes are allocated under this Agreement for a jurisdictional change, the annual tax increment for the prior fiscal year shall be included in the base tax for the succeeding year. Notwithstanding the foregoing, base tax shall not include any property tax revenues allocated to any County free library.
- b. "Annual tax increment" shall mean those property tax revenues specified as being subject to allocation in R.&T.C. §96(c) for fiscal year 1979-80 and R.&T.C. §97(c) for fiscal year 1980-81 and later fiscal years. Annual tax increment shall include revenues accruing due to the increase in assessed valuation for the preceding fiscal year because of changes of ownership and new construction and because of the inflation adjustment authorized by Section 2(b) of Article XIII A of the California Constitution.
- c. "Annual tax increment allocation factor" shall mean the numerical factor, expressed as a percent, that is used to accomplish the proportionate allocation of the annual tax increment, as specified in R.&T.C. §98(e).

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- d. "Proceedings" means those actions taken pursuant to Gov.C. §§35200-35315 or Gov.C. §§56290-56443.1.
- e. "Affected territory" shall mean as specified in Gov.C. §§35024 or 56023.5.
- f. "Affected City" shall mean as specified in Gov.C. §§35021 or 56021.
- g. "Affected County" shall mean as specified in Gov.C. §§35022 or 56022.
- h. "Affected District" shall mean as specified in Gov.C. §§56023 or 35023.

6. Insofar as not inconsistent with the foregoing definitions or any other provisions of this Agreement, the definitions of Sections 95 and 2215 of the Revenue and taxation Code, as in effect on October 1, 1980, shall apply to this Agreement.

7. For a jurisdictional change for which the allocation of taxes is made under this Agreement, such allocation shall be made in accordance with the following:

a. Initial year.

- (1) Base tax. Except as provided in Paragraph 7a.(3) of this Agreement, City shall be allocated 22.845% of the County's base tax for the affected territory and the County shall be allocated the balance.
- (2) Annual tax increment. Except as provided in Paragraph 7a.(3) of this Agreement, City shall have an annual tax increment allocation factor established for each tax rate area in the affected territory equal to 45.69% of the County's annual tax increment allocation factor for the tax rate area. The County's new annual tax increment allocation factor shall be its former factor minus the City's factor as derived in the preceding sentence.
- (3) For a jurisdictional change which results in the City's providing a service that had been provided by a special district, and if the City thereby receives any property tax revenues of the district as authorized by Revenue and Taxation Code Section 99, the formula for transfer of base tax and annual tax increment allocation factors from County to City shall be as follows:

(A) Base tax.

$$A = B \times 1/2C$$

$$D = B - A$$

Where A = the amount of the County's base tax to be transferred to the City. This amount plus the base tax transferred from special district(s) becomes the City's initial base tax for the tax rate area.

B = the County's base tax before the transfer

C = the portion (expressed as a percent) of the County's annual tax increment factor that will be transferred to the City from the County as determined by the formula expressed in Paragraph 7.a. (3) (B) below.

D = the County's base tax after the transfer.

(B) Annual tax increment.

$$C = \frac{F - H}{F + G - H}$$

(If "H" is greater than "F", then C shall be zero (0).)

$$J = (E \times C) + H$$

$$K = E - (E \times C)$$

Where C = the portion (expressed as a percent) of the County's annual tax increment allocation factor that will be transferred to the City from the County.

E = the County's annual tax increment allocation factor before the transfer.

F = 21.35% (this is the City's portion of the total fiscal year 1979-80 property tax allocation within the City's boundaries.)

G = 25.38% (this is the County's portion of the total fiscal year 1979-80 property tax allocations within the City's boundaries)

H = the total of the annual tax increment allocation factors which will be transferred to the City from special districts in accordance with Revenue and Taxation Code Section 99.

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J = the City's annual tax increment allocation factor after the transfer allocation.

K = the County's annual tax increment allocation factor after the transfer calculation.

- b. Subsequent years. In each subsequent year City's and County's allocation of property taxes from the affected territory will be made as set forth in Revenue and Taxation Code Sections 97 and 98. Each agency each year will be allocated its base tax (i.e. the tax allocated to the agency in the preceding year including the previous year's annual tax increment) plus its share of the current year's annual tax increment for the affected territory, such share being calculated by multiplying the tax resulting from growth in assessed valuation in the affected territory during the year times the agency's annual tax increment allocation factor(s) for that territory as determined in Paragraph 7a(2) or 7a(3)(B) above. The result (i.e. base plus increment) becomes the base tax for the next year's tax allocation calculations. Each agency's base tax and annual tax increment allocation factors may be subsequently modified only through negotiated exchanges in accordance with Revenue and Taxation Code Sections 99 and/or 99.1 for subsequent jurisdictional changes.

Dated: 12/18/80

Nancy C. Faldin
Chairwoman, Board of Supervisors

Dated: Dec. 18, 1980

[Signature]
Chairman, City Council

FORM APPROVED BY
COUNTY COUNSEL
(11-25-30)

ATTACHMENT C

