



County of Santa Cruz

COUNTY ADMINISTRATIVE OFFICE

701 OCEAN STREET, SUITE 520, SANTA CRUZ, CA 95060-4073

(831) 454-2100 FAX: (831) 454-3420 TDD: (831) 454-2123

SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

April 9, 1999

AGENDA: April 13, 1999

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

PROPERTY TAX EXCHANGE LAFCO NO. 819- RIVERSIDE DRIVE REORGANIZATION

Dear Members of the Board:

Attached is a Resolution which provides for a property tax exchange for the above reorganization and a map showing the affected area. The fact that the property associated with this annexation consists of 94 acres of vacant land which is pre-zoned for industrial uses makes this annexation incompatible with the exchange called for in the "Guidelines for Master Property Tax Exchange."

Accordingly, we have negotiated an exchange which is consistent with:

1. the many possible uses of the property and their varying revenue potential; and
2. the spirit of the "Guidelines for Master Property Tax Exchange".

In this regard, the "Guidelines" provide for an even division of the general fund revenues derived from allocated property taxes. Our negotiated tax exchange is based on an even division of general fund revenues regardless of source through a variable property tax exchange which is linked to the point of sale revenues produced on the property.

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If only ancillary point of sales revenues are produced on the **property**, then the property tax exchange provided for in the "Guidelines" would be used. If significant new point of sales revenue are produced, then the City of Watsonville's amount of allocated property taxes would be reduced on the basis of a 50¢ for each dollar of point of sales revenue produced on the property.

Possible Uses

The property which is the subject of this annexation is vacant land adjacent to Highway 1 and north of West Beach Street. The property is pre-zoned for industrial uses. The City of Watsonville's industrial zoning provides for a broad range of possible uses which would generate only a limited amount of sales tax which would be ancillary to the primary purposes of the enterprises. We believe that these uses are consistent with the property tax exchange provided for in the "Guidelines."

However, in some instances the allowable uses in the City's industrial zoning involve enterprises which produce high end sales tax revenue. For example, the Public Warehousing would probably include high end sales tax producers such as Costco, HomeDepot, Fry's, or a lumber yard, with no special use permit. With the appropriate use permit a broad range of other uses are possible including auto dealers, recreation vehicle sales, service stations and eating and drinking businesses. We believe that such uses require a sharing of their extraordinary revenues in a manner consistent with the sharing of allocated property taxes provided for in the "Guidelines".

Ancillary Sales Tax

In order to resolve the issue of the amount of ancillary point of sale revenue which would trigger the revenue sharing arrangement discussed in the preceding, we have reviewed with the Director of Finance for the City of Watsonville the revenues which are produced by Watsonville's existing industrial developments which include a broad range of farm services, instrument manufacturers, parts manufactures, fabricators and industrial suppliers. As a result of this review we have concluded that it would not be unreasonable to expect ancillary revenue of approximately \$300,000 per year in 1999 dollars without a major high end sales tax producer such as Costco or HomeDepot. We are recommending that the property tax exchange set at \$300,000 in point of sale revenue has the threshold for

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triggering the revenue sharing component of the recommended property tax exchange.

Recommended Exchange

The recommended exchange is based on values after the shift to the Educational Revenue Augmentation Fund (ERAF) and is described in the material which follows.

1. If, in any year, the point of sale revenues produced on the property are less than an aggregate of \$300,000 in 1999 dollars, then allocated property taxes would be allocated as provided below:
 - A. The City will receive 50% of the County General Fund property tax revenue and the County will retain 50%.
 - B. The County General Fund will receive 100% of the property tax revenue from County Service Area No. 9, County Service Area No. 11, and Santa Cruz Resource Conservation District.
 - C. The City will receive 0% of the County Library Fund property tax revenue while the Library Financing Authority agreement is in effect and 100% of County Library Fund property-tax revenue when the Library Financing Authority Agreement ends.
 - D. The City will receive 100% of the County Fire Fund property tax revenue.
2. If, in any year, the point of sale revenues produced on the property exceed an aggregate of \$300,000 in 1999 dollars, then allocated property taxes would be allocated as provided below:
 - A. The total amount of property tax revenue allocated to the City of Watsonville would be reduced by 50¢ for each dollar of point of sale revenue generated on the property above \$300,000 in 1999 dollars.

The attached resolution provides that in accepting this property tax exchange the City of Watsonville agrees, that upon request of the County, Watsonville will have its independent auditors examine

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and certify to the County the amount of point of sale revenue generated on the annexed property during the most recent calendar year and this certification shall be used in determining the distribution of all allocated property taxes to the City of Watsonville in the next fiscal year.

The concepts employed in the property tax exchange described above, i.e., the sharing of point of sale revenues through a variable exchange of allocated property taxes, are a variation of concepts previously employed by the annexation of commercial and industrial zoned property to the cities of Scotts Valley and Capitola.

Recommendation

It is RECOMMENDED that your Board adopt the attached resolution providing for the property tax exchange outlined above LAFCO 819.

Very truly yours,



Susan A. Mauriello
County Administrative Officer

Attachments

cc: City of Watsonville
Auditor Controller
County Counsel
LAFCO
General Services
County Service Area No. 11 (POSCS)
Department of Public Works

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**BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA**

RESOLUTION NO.

On the Motion of Supervisor
duly seconded by Supervisor
the following resolution is adopted

**RESOLUTION ACCEPTING NEGOTIATED CHANGE OF
PROPERTY TAX REVENUES PURSUANT TO
CALIFORNIA REVENUE AND TAXATION CODE SECTION 99**

WHEREAS, California Revenue and Taxation Code Section 99 requires that each city or county or the county on behalf of special districts included in a governmental reorganization or jurisdictional change accept a negotiated change of property tax revenues; and

WHEREAS, the governing parties of all agencies whose service areas would be altered by the jurisdictional change referred to in Exhibit "A" have met to determine the allocation of property tax revenues; and

WHEREAS, the County of Santa Cruz agrees to accept the negotiated change of property tax revenue as provided for in Exhibit "A";

NOW, THEREFORE, BE IT RESOLVED that the County of Santa Cruz hereby accepts the negotiated change of property tax revenues as provided for in Exhibit "A" as required by California Revenue and Taxation Code Section 99; and

BE IT FURTHER RESOLVED AND ORDERED that the Clerk of the Board shall forward a copy of this Resolution to the Santa Cruz Auditor-Controller; and

BE IT FURTHER RESOLVED AND ORDERED that the Santa Cruz Auditor-Controller is directed to disperse property tax revenues as provided for in Exhibit "A" upon receipt of a copy of this

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Resolution and a concurring resolution of any affected cities; if any.

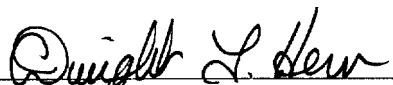
PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Cruz, State of California, this _____ day of _____, 1999, by the following vote:

AYES: Supervisors
NOES: Supervisors
ABSENT: Supervisors

Chair of Said Board

ATTEST: _____
Clerk of the Board

APPROVED AS TO FORM:



County Counsel

CC: County Administrative Office
LAFCO
Assessor
County Counsel
Auditor-Controller
Department of Public Works
Pajaro Valley Fire Protection District
POSCS

EXHIBIT A**RESOLUTION ACCEPTING NEGOTIATED CHANGE OF
PROPERTY TAX REVENUES PURSUANT TO
CALIFORNIA REVENUE AND TAXATION CODE SECTION 99**

Description

Riverside Drive Reorganization(LAFCO No. 819)

Property Tax Exchange'

1. If, in any year, the point of sale revenues² produced on the property are less than an aggregate of \$300,000 in 1999 dollars³, then allocated property taxes would be allocated as provided below:
 - A. The City will receive 50% of the County General Fund property tax revenue and the County will retain 50%.
 - B. The County General Fund will receive 100% of the property tax revenue from County Service Area No. 9, County Service Area No. 11, and Santa Cruz Resource Conservation District.
 - C. The City will receive 0% of the County Library Fund property tax revenue while the Library Financing Authority agreement is in effect and 100% of County

¹ The exchange of property taxes is based on property tax revenues after the shift to the Education Revenue Augmentation Fund (ERAF).

² Point of Sale Revenues refer to sales tax and transient occupancy tax.

³ The amount of \$300,000 will be indexed for inflation by increasing the amount by the percent change in the Consumer Price Index for all Urban Consumers. The base amount for the Consumer Price Index shall be the January 1999.

Exhibit A

Library Fund property tax revenue when the Library Financing Authority Agreement ends.

- D. The City will receive 100% of the County Fire Fund property tax revenue.
2. If, in any year, the point of sale revenues produced on the property exceed an aggregate of \$300,000 in 1999 dollars, then allocated property taxes would be allocated as provided below:
- B. The total amount of property tax revenue allocated to the City of Watsonville would be reduced by 50¢ for each dollar of point of sale revenue generated on the property above \$300,000 in 1999 dollars.
3. By accepting this property tax exchange the City of Watsonville agrees, that upon request of the County, it will have its independent auditors examine and certify to the County the amount of point of sale revenue generated on the annexed property during the most recent calendar year and further agrees that this certification shall be used in determining the distribution of allocated property taxes to the City of Watsonville in the next fiscal year.

DEATHS 5-10-89 E. Anderson
 AGE 4/12/2002 M.F.G. (78) 0637 Q.A. POL, POL, POL
 059 V-111 M. 12.000000 AREA COMECONO
 059-4/1/1/1/1/1 (C.A.)

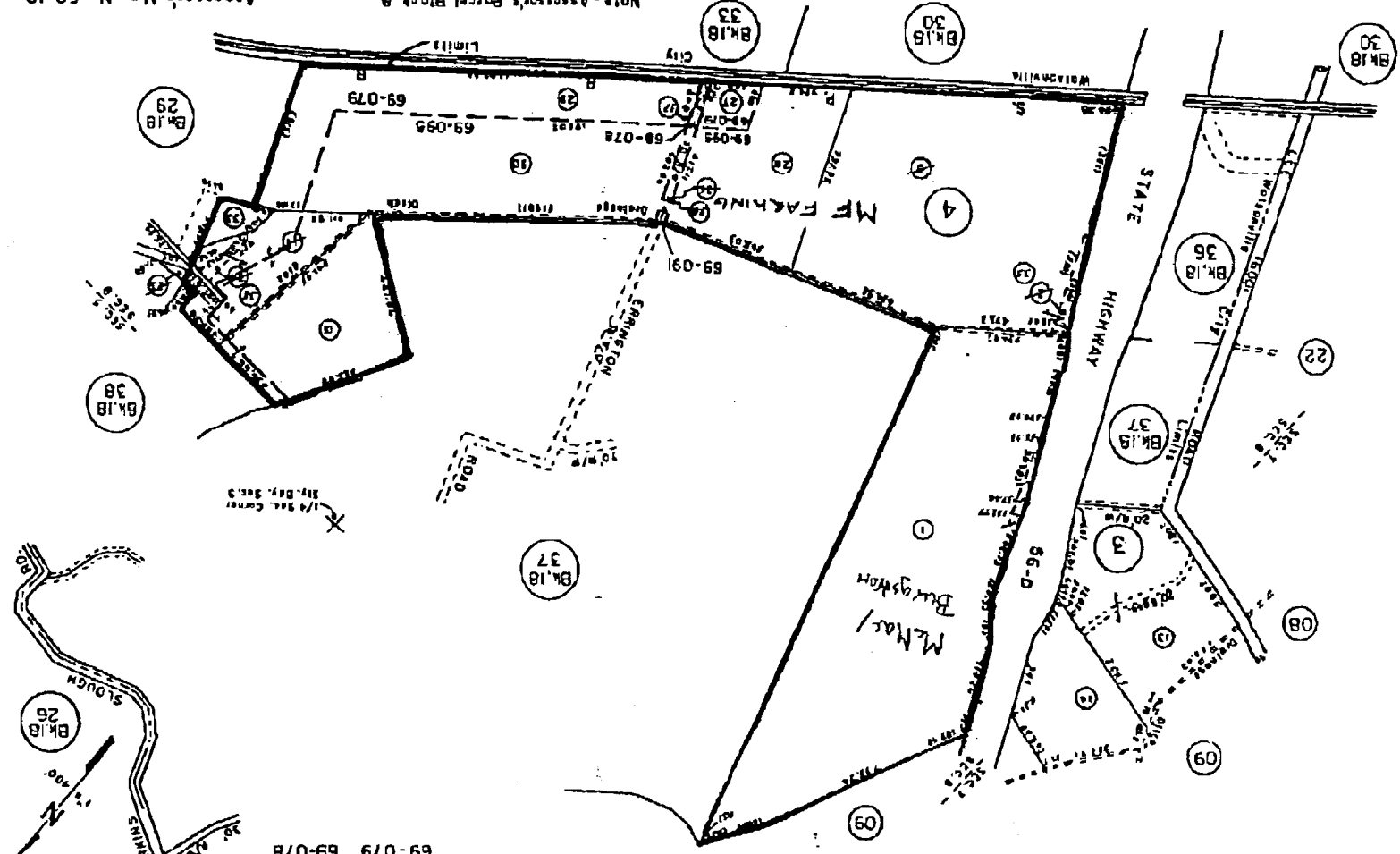
Attachment A

FOR TAX PURPOSES ONLY

50000000

FOR RANCHO BOLSA DEL PAJARO
SECS. 5, 7, 8, 9, 12 S., R. 2E., M.D.B. & M. PROJECTED

Tax Area Code
69-095 69-091
69-079 69-078



Note - Assessor's Parcel Block & Lot Numbers Shown in Circles.

Assessor's Map No. 52-10
County of Santa Cruz, Calif.
Aug. 1951

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