



# REPORT TO DEVELOPMENT OVERSIGHT COMMISSION City of Sacramento

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915 I Street, Sacramento, CA 95814-2671

STAFF REPORT  
**April 7, 2008**

Honorable Members of the Development Oversight Commission:

**Title:** Annexation Fee

**Location/Council District:** All

**Recommendation:** Review and Comment

**Contact:** Scot Mende, New Growth Manager, 808-4756

**Presenters:** Scot Mende, New Growth Manager, 808-4756

**Department:** Planning

**Division:** New Growth

**Organization No:** 4913

**Description/Analysis**

**Issue:** Staff is recommending a new fee to recover the costs to the City for processing an annexation application, including the review, analysis, outreach, coordination with outside agencies, preparation of agreements, and other tasks required for annexations.

**Policy Considerations:** This report is consistent with both the City's overall Strategic Plan goal and the 2030 General Plan vision of becoming "The Most Livable City in America". It is also consistent with the Smart Growth Principles adopted by Council in 2001 and the Vision and Guiding Principles for the 2030 General Plan adopted by the Council in 2005.

**Rationale for Recommendation:** Processing annexation applications have historically been funded by the City's General Fund. A new Annexation Fee would decrease this dependence on the General Fund and provide a more reliable funding source.

Also, The proposed annexation fee is a new fee that would be used to recover the costs associated with annexations to the City, including project review and analysis, document preparation, research, site visits, neighborhood outreach, and attending hearings. The fee would also cover those activities above and

beyond required for a prezone; specifically, these tasks include review of a “plan for services”, coordination with outside agencies proposed for detachment or reorganization, preparation of a “tax share agreement”, and preparation for LAFCo hearings.

More information on the proposed fees are provided in Attachment 1 (Background).

**Financial Considerations:** Consistent with the City Council’s adopted Fees and Charges Policy, the proposed Annexation Fee is an appropriate mechanism to reduce General Fund expenditures. The fee outlined in this report will provide the means to recover the costs associated with annexations.

Respectfully Submitted by:   
Scot Mende, New Growth Manager

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**ATTACHMENT I**  
**BACKGROUND**  
**Annexation Fee**

FY09 Fees and Charges Updates & Additions

**Department: PLANNING**

**Fee Name: ANNEXATION FEE**

**Current Fee: N/A**

**Proposed Fee:** Tied to Existing Planning Entitlement Fees for Prezone/Rezone:

- Residential Project up to 2 acres: \$1,000
- Residential Project >2 acres \$8,000
- Commercial /Mixed Use Project: \$20,000
- Additional Charges: Applications requiring more staff time than has been allocated by the fees charged per this schedule will be assessed for the additional staff time at \$140 per staff hour.

**Justification:** Staff time: project review and analysis, prepare documents, research, site visits, neighborhood outreach, attend hearings. The annexation activity involves tasks supplemental to those conducted for a prezone; specifically, these supplemental tasks include review of a “plan for services”, coordination with outside agencies proposed for detachment or reorganization, preparation of a “tax share agreement”, and preparation for LAFCo hearings.

**Detailed Analysis & Justification:** The paragraphs that follow highlight the categories of annexation, and specific work efforts required for annexation.

Annexations within the City tend to fall into one of three categories:

- Small residential annexations where property holdings cross jurisdictional boundaries (e.g., SHRA owns contiguous properties in the Stockton Blvd. Redevelopment Area, some of which are in the City and others of which are adjacent to the City.)
- Mid-size residential-only annexations (no actual history of this type of annexation)
- Industrial, commercial, or mixed use projects (nearly all of the annexations to the City have fallen into this category).

## **Annexation/Reorganization Process Summary**

The following is a brief overview of the reorganization (annexation/detachment) process for the City of Sacramento.

- **Reorganization Initiated.** Through petition or City Council Resolution. This effort requires preparation of staff report including drafting a Resolution and presentation to the Council. [Estimated Work Effort: 16 hours - Basic]
- **Reorganization Proposal Developed.** In conjunction with petitioners and all affected departments, a detailed reorganization (annexation/detachment) proposal is developed which outlines the proposed treatment of all changes of organization, municipal service issues, tax revenue sharing agreements with the County and affected special districts, and the establishment of rezoning designations. An environmental review is also conducted with the Local Agency Formation Commission (LAFCo) acting as a responsible agency. While much of the effort for annexations is already accounted for with other entitlements (such as rezoning), annexation has some unique aspects:
  - **Plan For Services:** When a local agency submits a resolution of application for reorganization, it shall include a plan for services which describes the level and range of those services, an indication of when those services can feasibly be extended to the affected territory, and how those services will be financed. (Cortese-Knox-Hertzberg, §56653). Typically, the Plan for Services is prepared by a consultant, but requires City staff routing, coordination and oversight. [Estimated Work Effort - Basic: 24 hours]
  - **Tax Exchange Agreement:** The City and County must adopt a Property Tax Exchange Agreement at least 21 days prior to LAFCo public hearings on the annexation proposal [Revenue & Taxation Code § 99(b)(1)(B)(6)]. These agreements specify the redistribution of property taxes among the city, the county, and other agencies such as special districts. Typically, tax revenues accruing to the county, some special county funds, and special districts are redistributed to the annexing city and the county. The county is responsible for representing the interests of special districts, and there is a meet and confer requirement if the tax exchange will impact a special district. This effort typically involves preparation of a staff report and resolution to the City Council, and attendance at the corresponding hearing at the Board of Supervisors. The Greenbriar effort required extensive effort on collateral issues such as open space preservation and sales tax sharing. [Estimated Work Effort - Basic: 24 hours]
  - **Planning Commission and City Council consideration:** Much of the hearing activities related to annexation are encompassed within the efforts required for the related entitlements (for which fees & charges already are collected). Supplemental activities include outreach to community groups and organizations beyond the City's borders, analysis of loss of agriculture and open space, and population growth and development in relationship with the Blueprint. [Estimated Work Effort - Basic: 16 hours]

- **Submittal of Application to LAFCo:** Following Council approval, the Planning Department will prepare the LAFCo application. The application has the following components:
  - Application Form: Property and project description, proposed actions, legal description of property, rationale for annexation (pursuant to Government Code § 56425), present and probable need for public facilities and current capacity of public facilities and adequacy of public services, and a justification for the annexation. [Estimated Work Effort - Basic: 16 hours]
  - Supplemental letter responding to LAFCo conditions of Sphere of Influence approval, and/or issues raised during Sphere of Influence hearings. [Estimated Work Effort - Basic: 16 hours]
  - Transmittal of Certified Resolutions and Ordinances, staff reports, water supply assessment, and all other relevant documents. [Estimated Work Effort - Basic: 8 hours]
- **LAFCo Commission Hearings:** LAFCo staff analyzes all issues, writes the staff report and recommendation to Commission, and sets the matter for hearing before the Commission. Planning staff collaborate with LAFCo to prepare the staff report. Planning staff, as Chief Petitioner, testify before the LAFCo Commission. Typically, this involves preparation of a powerpoint presentation. [Estimated Work Effort - Basic: 16 hours]
- **Follow-Up Actions:** Coordinate with City Clerk's Office to obtain Certificate of Compliance, coordinate with US Census Bureau, State Board of Equalization, modify GIS maps and history files [Estimated Work Effort - Basic: 10 hours]

**Summary of Required Effort:**

- Reorganization Initiated. [16 hours]
- Plan For Services: [24 hours]
- Tax Exchange Agreement: [24 hours]
- Planning Commission and City Council consideration: [16 hours]
- Submittal of LAFCo Application Form: [16 hours]
- Supplemental letter [16 hours]
- Transmittal of relevant documents. [8 hours]
- LAFCo Commission Hearings: [16 hours]
- Follow-Up Actions: [8 hours]

TOTAL BASIC EFFORT = 144 hours \* \$140/hour = \$20,160