

LOCAL AGENCY FORMATION COMMISSION
SAN BENITO COUNTY

2301 Technology Parkway
Hollister, CA 95023
Phone: (831) 637-5313

May 28, 2015 (Agenda)

Local Agency Formation Commission
2301 Technology Parkway
Hollister CA 95023

**Consider Contracting with Consultant to Prepare Fiscal Analysis
Related to Mitigating Fiscal Impacts of Residential Development**

Dear Members of the Commission:

RECOMMENDATION

It is recommended the Commission if requested by the County of San Benito and the City of Hollister agree that the LAFCO staff be authorized to supervise work of a consultant to prepare a fiscal analysis related to mitigating the fiscal impacts of new residential development, provided funding is provided by the affected agencies.

DISCUSSION

State law prohibits the LAFCO staff from issuing a "Certificate of Filing" and setting a proposed annexation for hearing until there is a tax exchange agreement approved by the Board of Supervisors and the City Council of the annexing city.

A contentious issue in San Benito County is the existing tax exchange requirement for annexations to the City of Hollister to proceed. For residential annexations to the City, in addition to reapportioning the property taxes in the annexation area once the territory is within the City, the standard agreement requires the City to pay to the County a specific amount of money for each projected residential unit. That amount is passed directly to the landowner/developer as a cost of development.

However, such per-unit obligations do not apply if the property is developed in the unincorporated area, which leads developers to resist or oppose annexation to the City and to pursue County land use approval in order to avoid having to pay that per unit fee.

A problem of allowing unincorporated residential development, often within the Sphere of Influence of the City, is the creation of illogical and cumbersome service areas which are costly and difficult for the County to serve and increase demands on the City to provide services for properties that are not technically within the City.

This pattern of development and municipal boundaries also creates confusion regarding service areas for law enforcement, street maintenance, recreation services and so forth. It deprives many residents of the Hollister area from being able to vote in municipal elections despite the fact they are affected by decisions made by the City Council.

The results of a fiscal analysis may conclude that similar fees should be levied for similar projects proposed either inside or outside the City, thereby reducing or alleviating opposition by developers being required to annex in order to develop their project.

The LAFCO staff has recently been engaged in productive discussions with County and City staff regarding revisions to the property tax exchange agreement. It is felt that such a revision should require a fiscal analysis by a qualified consultant so that costs and revenues related to new residential development can be accurately calculated.

In such discussions, the question has been raised of whether the LAFCO staff would be willing and available to supervise the work of the fiscal consultant, once one is selected, to ensure that the interests of both the County and the City are carefully and objectively taken into consideration.

I indicated that if the County and City would request the Commission to authorize the LAFCO staff to manage the contract with the fiscal consultant, and these agencies would provide necessary funding for the consultant contract, I would be willing to recommend that the Commission authorize the staff to provide this service.

Should such a request be forthcoming, it will be after the start of the new fiscal year and we would expect that funding for the contract with the consultant would be provided by the interested agencies to augment the Commission's adopted budget.

Please let me know if you have any questions.

Very truly yours,



BOB BRAITMAN
Executive Officer

cc: Bill Avera, City Manager, City of Hollister
Ray Espinosa, County Administrative Officer
Joe Paul Gonzalez, County Clerk, Auditor & Recorder
Roger Grimsley, City Manager, City of San Juan Bautista