



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 12/13/05
AGENDA ITEM 2
WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Resolution Providing for Exchange of Property Tax and Sales Tax Revenues in Connection with the Mission-Garin Area Annexation

RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing the exchange of property tax and sales tax revenues in connection with the Mission-Garin Area Annexation.

DISCUSSION:

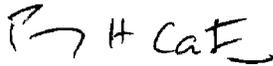
The proposed Mission-Garin Area Annexation encompasses approximately 244 acres in the southeastern portion of the City of Hayward's Sphere of Influence. The annexation area is generally located east of Mission Boulevard and west of Garin Regional Park, between Calhoun Street on the north and Garin Avenue on the south. Boundaries of the proposed annexation are depicted in Exhibit A.

The City Council adopted a resolution of application for the Mission-Garin Area Annexation on July 15, 2003. The annexation application package was submitted to the Alameda Local Agency Formation Commission (LAFCo) in November of 2003. Since that time, city and county staff have been working to finalize the draft tax-sharing agreement for consideration by the City Council and Board of Supervisors. Once the tax-sharing agreement is adopted by both legislative bodies, the annexation application can be scheduled for public hearing before LAFCo. At this time, staff is requesting that the City Council adopt a resolution effectuating exchange of property tax revenues for the area to be annexed.

A draft resolution, effectuating exchange of property tax revenues in the proposed annexation area is attached to this report. The proposed agreement is based on the formula approved by the County for other recent municipal annexations. Generally, the formula calls for distribution of property tax revenues based on the citywide average share of property tax revenues for all tax rate areas within the city. Preliminary estimates by the County indicate current annual property tax revenue (2005-06) at \$85,000 for the annexation area. The city's share would amount to approximately \$13,900 (or 16.3%) under the proposed agreement. The 16.3% represents the City's weighted average allocation of property tax revenues after deductions for the Educational Revenue Augmentation Fund (ERAF). If adopted by Council, the agreement will be forwarded to Alameda County for approval by the Board of Supervisors. The resolution also provides for the sharing of sales tax revenue.

In recent annexation actions, the County has called for a sharing of sales tax revenue, with the County retaining 35% and the applicable City retaining 65%. Because revenue from this annexation area is limited the County's share is projected to be approximately \$21,000 annually and the City's share approximately \$39,000 annually. Since the potential development activity for the area to be annexed is largely residential in nature, the sharing of sales tax revenue is to conclude on June 30, 2008.

Prepared by:



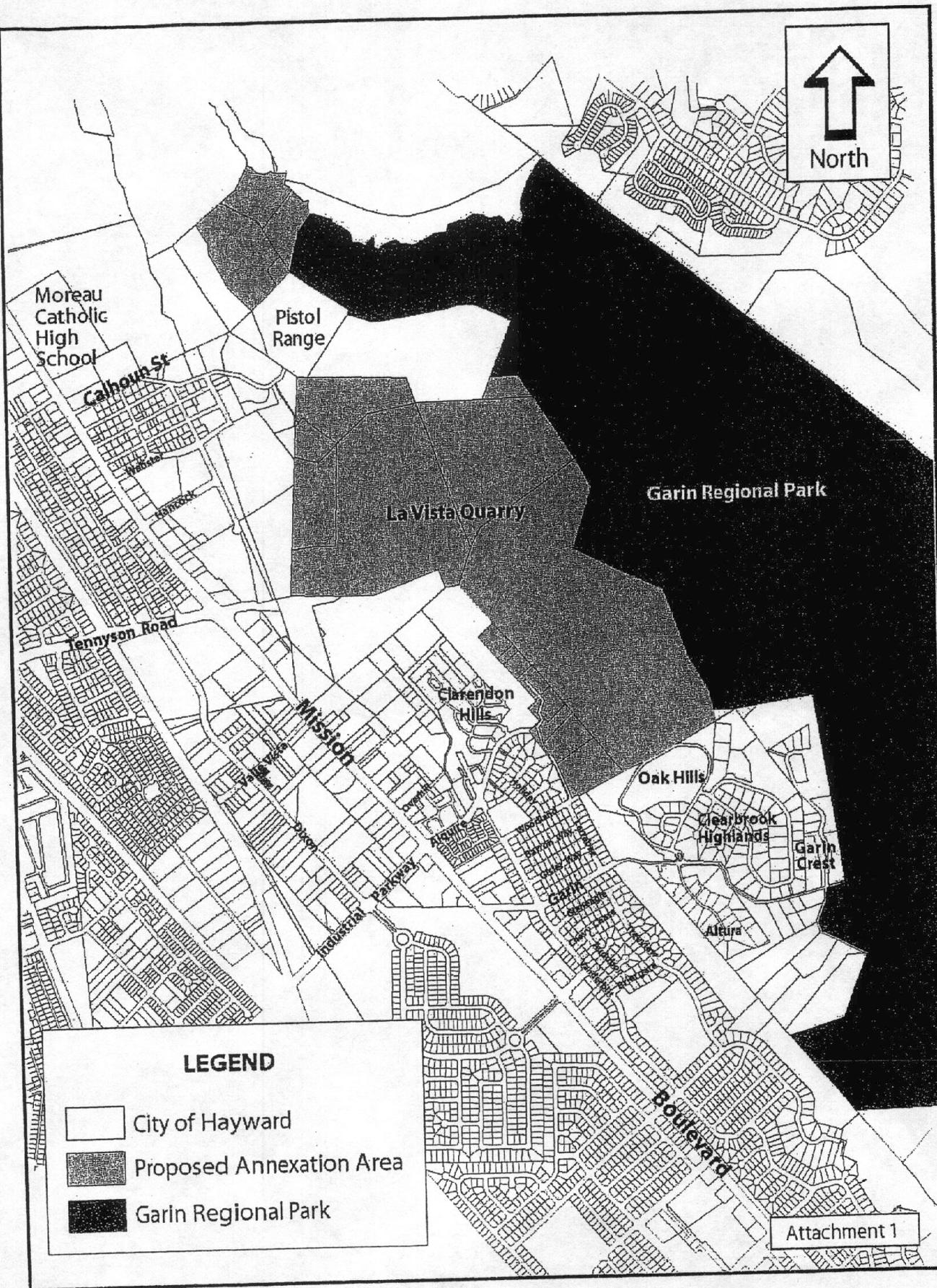
Perry H. Carter
Acting Assistant City Manager

Approved by:



Jesús Armas, City Manager

Attachments: Exhibit A. Map of Mission-Garin Study Area
Draft Resolution



LEGEND

-  City of Hayward
-  Proposed Annexation Area
-  Garin Regional Park

DRAFT

HAYWARD CITY COUNCIL



RESOLUTION NO. _____

Introduced by Council Member _____

**RESOLUTION EFFECTUATING EXCHANGE OF TAX
REVENUES IN CONNECTION WITH THE MISSION - GARIN
MUNICIPAL ANNEXATION**

WHEREAS, section 99 of the Revenue and Taxation Code provides, among other things, that no local agency jurisdictional change can be completed without the agencies affected by such change first having agreed upon an exchange of property and sales tax revenue between and among the affected agencies; and

WHEREAS, the City of Hayward and the Alameda County Board of Supervisors have agreed to a formula for equitably distributing the property taxes; and

WHEREAS, each specific annexation needs a resolution from both the City and county agreeing to the exchange of property and sales tax revenues for the annexation to be completed and filed with the state.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of
Hayward:

1. For the following annexation by the City of Hayward, which will be first effective for the fiscal year the filing of the Certificate of Completion with the State Board of Equalization, providing the filing occurs prior to December 31 of the preceding year, the Auditor-Controller of the County of Alameda shall be directed to cause an exchange of property tax revenues pursuant to the above referenced resolution for the:

MISSION-GARIN AREA ANNEXATION

2. The City certifies that there is no significant commercial and/or industrial development in the proposed annexation.

BE IT FURTHER RESOLVED by the City Council of the City of Hayward that the Agreement Between the County of Alameda and the City of Hayward Regarding Transfer of Property and Sales Tax Revenues in Connection with the Mission-Garin Area Annexation is hereby approved and adopted in the form set forth in Exhibit "A." Further the City Manager is hereby authorized and directed to execute all tax and revenue sharing agreements and any and all documents required or necessary to complete the subject annexation.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

AGREEMENT BETWEEN THE COUNTY OF ALAMEDA AND THE CITY OF
HAYWARD REGARDING TRANSFER OF PROPERTY TAX REVENUES IN
CONNECTION WITH THE MISSION-GARIN AREA ANNEXATION

This Agreement is made pursuant to the provisions of Revenue and Taxation Code Section 99 and shall constitute the agreement for exchange of property tax revenues required by the Revenue and Taxation Code Section 99(b)(6). Furthermore, Revenue and Taxation Code Section 99(b)(5) provides that if a jurisdictional change will alter the service area or service responsibility of a special district, the Board of Supervisors of the county in which the special district is located shall negotiate any exchange of property tax revenues on behalf of the special district.

The parties agree that for annexation of parcels located in the Mission-Garin Area, as shown on Exhibit A, the Auditor-Controller of the County of Alameda is directed to cause an exchange of property tax revenue as follows:

- A. The City is entitled to receive an allocation of computed property tax revenue equivalent to the share of property tax revenue it receives on a weighted average citywide. The weighted citywide average shall be computed annually as follows: multiply the City's current AB8 factor in each tax rate area within the city by the current secured assessed valuation in each tax rate area to arrive at a product for each tax rate area. The sum of those products is divided by the total secured assessed valuation within the city to arrive at a weighted citywide average. The secured tax roll is used here to establish the weighted citywide average. However, the factors resulting from application of the formula will apply to all tax rolls.
- B. In the event that the City currently provides a service within its incorporated city limits such as Fire or Library, and if that service is currently being provided by a County taxing agency or special district in the territory proposed for annexation, the County shall receive an allocation of computed property tax revenue equivalent to the share of property tax revenue received by the county taxing agency or special district in the territory proposed for annexation. The County's receipt of that allocation shall not diminish the city's receipt of its allocation calculated under A above.
- C. In the event that the City assumes full responsibility for a service not currently being provided by the city within its incorporated city limits, but being provided by a separate County taxing agency or special district within the territory proposed for annexation, pursuant to Revenue and Taxation Code 99(b), the City shall receive, in addition to the allocation determined in A above, an allocation of computed property tax revenue equivalent to the share of property tax revenue received by the County taxing agency or special district in the territory proposed for annexation.

D. The County shall receive an allocation of computed property tax revenue equivalent to its current share of property tax revenue in the territory proposed for annexation plus the share of property tax revenue allocated to it in section B above, less the share of computed property tax revenue allocated to the City in section A above, and in section C above as applicable.

This exchange of property tax revenues will be effective as to each property annexed within the subject annexation area for the fiscal year following the filing of the State Board of Equalization of the Certificate of Completion for such property providing the filing occurs prior to December 31 of the preceding year.

DATED:

CITY OF HAYWARD

APPROVED AS TO FORM:

ATTEST:

DATE:

COUNTY OF ALAMEDA

APPROVED AS TO FORM: