

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ERIN MORRIS, CITY MANAGER FELLOW
CITY MANAGER'S OFFICE

SUBJECT: ROSELAND PRE-ANNEXATION AGREEMENT AND
ANNEXATION APPLICATION

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the City Manager's Office that the Council, by resolution, approve the Pre-Annexation Agreement with County of Sonoma, authorize the Mayor to execute the agreement, and adopt a resolution of application directing the Planning and Economic Development Department to file an application with Sonoma Local Agency Formation Commission (LAFCO) for the annexation of five unincorporated County islands in southwest Santa Rosa.

EXECUTIVE SUMMARY

Approving the Roseland Pre-Annexation Agreement and authorizing initiation of the Roseland Annexation process with Sonoma LAFCO will ultimately allow approximately 714 acres of unincorporated land to become part of the City of Santa Rosa. These actions are consistent with Council Goal #5: Improve Partnerships Between Neighborhoods, Community Organizations, Schools and The City To Support And Promote Thriving, Inclusive And Diverse Neighborhoods.

BACKGROUND

1. The proposed project includes annexation of five unincorporated County islands in southwest Santa Rosa (the "Roseland Annexation"). An unincorporated island is defined as an area of unincorporated land that is substantially surrounded by City land. Two of the five islands are located within the Roseland Area/Sebastopol Road Specific Plan and three are located outside of the Plan area. These five County islands encompass 1,614 parcels and approximately 714 acres.

2. The City's key objectives for the Roseland Annexation, established in 2014 and reaffirmed throughout the process of developing the agreement, are:
 - a. Comply with Sonoma Local Agency Formation Commission (LAFCO) policy to create a more logical City boundary and provide more effective delivery of City services by annexing all existing unincorporated islands in southwest Santa Rosa.
 - b. New residents will receive the same level of service as current residents.
 - c. Existing service levels to current City residents will not be reduced in order to provide services to the Roseland area.
3. On October 23, 2014, the City and Sonoma County entered into a Memorandum of Understanding and agreed to establish the Joint City/County Roseland Annexation committee ("Joint Committee") to discuss and negotiate a pre-annexation agreement addressing the cost sharing and other commitments necessary to successfully annex the Roseland Annexation Area.
4. On October 26, 2016, the Joint Committee unanimously supported a draft pre-annexation agreement, and agreed to advance the proposed agreement to the Board of Supervisors and City Council.
5. On November 1, 2016, the Board of Supervisors approved the Roseland Pre-Annexation Agreement ("Agreement").
6. Many elements of the Roseland Pre-Annexation Agreement address annexation costs. Key financial elements, discussed in detail in the *Analysis* section below, include:
 - a. Revenue sharing in lieu of Property Tax
 - b. One-Time Costs
 - c. Annual Costs
 - d. Transportation Infrastructure
7. The agreement specifies that the County will transfer Regional Housing Needs Assessment (RHNA) credits to the City for the Crossroads, Roseland Market Place, and Paseo Vista Projects as follows:
 - a. Crossroads: 80 affordable units (rental);
 - b. Roseland Village Neighborhood Center: 70 affordable units (rental) and 100 market rate units (rental);
 - c. Paseo Vista: 31 affordable units (rental) and 135 market rate units (for sale).
8. The Agreement includes continued County services including health and human services, County Economic Development Board support, and homeless services. In addition, the County will complete paving improvements to Corby and Dutton

Avenues by December 2021.

9. South Park Sanitation District. Provision of sewer services through the South Park Sanitation District will continue post-annexation. City staff is currently working with Sonoma County Water Agency staff on a transition plan.
10. Housing Authority. The Agreement indicates that the transition of Housing and Urban Development (HUD) Section 8 housing vouchers will be administered as set forth in two previously executed agreements between the Santa Rosa Housing Authority and Sonoma County Housing Authority.
11. Records and Transfer of Assets. The transfer of property documents (including previous and pending permit history) is anticipated, and the Agreement specifies that the City and County will work cooperatively to determine transfer of County assets to the City. The Agreement further specifies that Joe Rodota Trail will remain a County asset and will continue to be maintained by the County.
12. In order to proceed with the Roseland Annexation, the City of Santa Rosa must adopt a resolution of application and file an annexation application with LAFCO. The key components of the application include maps and a boundary description, application forms, and a plan addressing how services will be provided to the annexed area. As part of this effort, the City and County will develop transition plans to address how services will be transferred. Planning and Economic Development is leading the application and mapping process, and the City Manager's Office is leading preparation of the transition plan. The annexation application is anticipated to be filed with LAFCO in February 2017, and the annexation process is anticipated to take 6 to 9 months.

PRIOR CITY COUNCIL REVIEW

On April 1, 2014 the Council adopted a resolution authorizing staff to proceed and appropriating funds for Phase 1 of a work plan for the Roseland Annexation.

On December 2, 2014 the Council authorized the Mayor to execute a Professional Services Agreement with Pacific Municipal Consultants (PMC) for preparation of the Roseland Area/Sebastopol Road Specific Plan and associated Environmental Impact Report.

On January 27, 2015 the Council accepted the Community Engagement Strategy for the Roseland Specific Plan and Annexation.

On February 23, 2016 the Council authorized the Mayor to execute an Assignment and Assumption of the Professional Services Agreement between PMC and Michael Baker International, Inc. for preparation of the Roseland Area/Sebastopol Road Specific Plan and Environmental Impact Report, which memorialized the merger of PMC into Michael Baker International and the continuing obligations under this agreement.

On October 18, 2016, the Council certified the Final Environmental Impact Report for the Roseland Area/Sebastopol Road Specific Plan and Roseland Area Annexation, and adopted the Roseland Area/Sebastopol Road Specific Plan.

ANALYSIS

1. The City's analysis of costs associated with Roseland Annexation area showed that the City should receive revenue of approximately \$2,560,090 that is generated within the area. The costs associated with providing services to the Roseland Annexation area were initially projected to be \$3,651,363 leaving a deficit of \$1,091,273. The City's analysis also included one-time costs of \$1,300,000 associated with bringing in the five County islands and providing services. These costs include items such as police vehicles and uniforms, CCTV work in the storm drain system and modifications to software systems to include community data within the City's technology based systems.
2. Ongoing payments from the County to the City In lieu of Property Tax are included in the Agreement as a Revenue Sharing that will continue in perpetuity. The initial payment for this revenue sharing will be \$226,400 which is the amount identified for FY 2016-17, and will adjust annually based on the changes in the area's property tax assessed value as determined by the changes in property tax assessed value in the Roseland School Tax Code area. With this additional revenue and some adjustments to the projected costs, the continuing deficit was projected at \$500,000.
3. The Agreement further requires, upon annexation, the County to, within 60 days, pay the City \$790,000 in onetime start-up costs and \$500,000 as a subsidy for the first year's identified deficit. The subsidy payment of \$500,000 per year will continue for 10 years and will be adjusted annually based on revenue and expenditure changes as further described below, but in no case will it exceed \$500,000.
4. The identified revenue amounts will be adjusted annually based on the year over year percentage change for six revenue categories. The changes in expenditures will be adjusted annually based on a year over year percentage change in the City's salary and benefits budget adjusted to remove new positions that have been added over the previous year.
5. Revenue Sharing in lieu of property taxes will be adjusted as described above. The Sales Tax revenues will be adjusted annually based on the actual sales tax revenue that was reported to the State Board of Equalization for the properties within the annexation area. The other four revenue sources are Proposition 172 Sales Tax, Utility Users Tax, Franchise Fees associated with gas, electric and cable services and Fines and Forfeitures. Each of these revenue amounts will

be adjusted based on the year over year percentage change in these revenue sources citywide.

6. The subsidy calculation will be adjusted annually by the revenue growth or declines and by the expenditure growth or declines, as calculated by the City, providing for an updated amount to be invoiced annually to the County for a total of 10 years. In no case will this subsidy amount be less than \$500,000 in the initial year, nor be above \$500,000 in any given year.
7. In addition to the onetime start-up costs, the annual Revenue Sharing in perpetuity and the subsidy, the County will pay the City \$662,000 each year for 10 years beginning on or after July 1, 2017. These funds will be used for pavement improvements, asphalt paved walkways on shoulders to enhance pedestrian connectivity and required ADA upgrades.
8. The City originally asked for \$18 Million over a 10-year period to provide for the Capital improvement needs of the streets within the Roseland community. The County has offered \$6.62 Million over a 10-year period for the same purpose. The City can manage provision of street capital improvements within this amount, provided that the funding is in the form of an annual cash payment. This will allow the City to determine the placement of the investment within the community with input from community members.

FISCAL IMPACT

The detailed financial analysis above addresses the fiscal impacts of the proposed annexation. The following summarizes the payments that the City will receive from the County:

| | |
|------------------------------|---|
| One Time Costs | \$790,000 payment |
| Ongoing Operating Needs | \$500,000 annual cash subsidy for 10 years, to be reassessed annually beginning in Year 2. Reassessment will take into consideration increases in City costs offset by growth of specific revenue streams, but the subsidy will never exceed \$500,000 in any given year. |
| Capital Transportation Costs | \$6.62 million total over 10 years, to be paid in 10 equal annual installments, for pavement related expenses in the annexation area. |
| Annual Payment | \$226,400 annual payment by County to City in perpetuity, to be adjusted based changes in property tax assessed values in the region. |

ENVIRONMENTAL IMPACT

Approval of the pre-annexation agreement and adoption of the resolution of application for the annexation are included in the Final Environmental Impact Report for the Roseland Area/Sebastopol Road Specific Plan and Roseland Area Annexation, certified by the Council on October 18, 2016.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

N/A

NOTIFICATION

There has been significant community engagement throughout the Roseland Area/Sebastopol Road Specific Plan process. Public engagement will continue when the annexation proceeds. An updated community engagement plan is being developed.

ATTACHMENTS

- Attachment 1 – Draft Roseland Pre-Annexation Agreement
- Resolution/Exhibit A (Agreement)

CONTACT

Erin Morris, emorris@srcity.org, 543-3189