

Agenda Item No. 5

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
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December 5, 2001

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer

RE: **PROPOSED RANCHO CORDOVA INCORPORATION**
(12-97) MODIFIED BOUNDARY ALTERNATIVE
STAFF RECOMMENDATION

RECOMMENDATION:

- 1. Take public testimony and comment:
Comprehensive Fiscal Analysis
Environmental Impact Report
Proposed Boundary**

- 2. Conceptually approve the proposed boundary alternative shown
in Exhibit A, and direct staff to update the Environmental Impact
Report and Comprehensive Fiscal Analysis.**

COMPREHENSIVE FISCAL ANALYSIS REPORT

Monday, November 26, 2001, was the deadline of the 30-day notice for filing a request for an independent review by the State Controller of the Comprehensive Fiscal Analysis for the Proposed Incorporation of Rancho Cordova. No requests were filed with your Executive Officer.

PURPOSE OF CONCEPTUAL APPROVAL

I recommend conceptual approval of the modified boundary proposal for the following reasons: (1) to narrow the number of issues that have been raised so that updates of both financial data and non-financial data can focus on a primary alternative, and (2) to solicit additional comments based on the proposed recommendation.

The Commission has the authority to modify the boundary of the proposed incorporation at any time during its deliberations prior to final action based on public testimony and new information that may be provided.

BOUNDARY PROPOSAL

Your Commission has the authority and power to establish the boundaries of any proposed city in Sacramento County, subject to approval by the electorate. Your Executive Officer recommends your Commission approve a boundary for the proposed city of Rancho Cordova that attempts primarily to mitigate fiscal issues and concerns raised by the County of Sacramento. The issues raised by the County are legitimate based on the information and analysis provided in the Comprehensive Fiscal Analysis prepared by Economic Planning Systems. The modified proposal also attempts to mitigate concerns raised by other interested parties, primarily related to community issues.

The CFA indicates that only under certain conditions the proposed city of Rancho Cordova is viable after making the required mitigation payment as required by law.

The Commission must be able to make the following findings in order to approve any incorporation:

1. The proposed city is economically viable.
2. The revenues and expenditures transferred are substantially equal.
3. The revenue neutrality payment adequately mitigates the negative fiscal impacts on the County of Sacramento.

Since your Commission last met, several meetings have been held between the incorporation proponents, County of Sacramento staff, and LAFCo staff regarding financial and boundary issues related to the proposed incorporation of Rancho Cordova.

Exhibit A illustrates a boundary alternative that addresses the major issues and concerns that have been raised by the County of Sacramento.

The proposed boundary modification attempts to minimize the negative fiscal impact to the County of Sacramento should the incorporation be approved by the electorate. The modified boundary recommended in this report allows that adequate service provision will occur both within the new city as well as within the unincorporated area of Sacramento County.

MODIFIED BOUNDARY ALTERNATIVE STAFF RECOMMENDATION

County of Sacramento staff is in agreement with boundary alternative Exhibit A **from a fiscal mitigation perspective**. Once further details of the fiscal mitigation are verified and conceptually agreed to between County staff and the incorporation committee, County staff plans to prepare a report to the Board of Supervisors (anticipated in mid-January, 2002) to get concurrence on the Exhibit A modified boundary alternative, as well as approval of the business terms and conditions related to the mitigation payments for this alternative.

Generally, to address the concerns and issues of the County of Sacramento, the Exhibit A alternative boundary:

- excludes most of the Mather Redevelopment Area;
- secures the mitigation payment through the property taxes of the proposed city;
- does not utilize Road Fund surplus to balance the mitigation payment shortfall.

Nonetheless, even after the proposed boundary adjustment, the projected city surplus falls short of the required mitigation payment. County staff is willing to recommend a repayment schedule that allows the recovery of the initial shortfall in later years if LAFCo approves the proposed alternative boundary that minimizes the negative fiscal impact to the County. An acceptable boundary to the County eliminates a significant portion of the Mather Redevelopment Area and a significant portion of the retail areas located on Sunrise Boulevard.

The County of Sacramento does not object to the creation of a Sphere of Influence for the proposed city which covers the territory within the original petition boundary submitted by the proponents.

Note: LAFCo staff and staff of the County of Sacramento are still assessing the fiscal impacts related to the boundary alternative shown in Exhibit A. Further adjustments to this boundary may be required in order to obtain a mitigation payment that can be repaid through annual property taxes over a twenty-five year period. Basically, this may require that other existing sales tax areas be excluded from the boundary alternative shown in Exhibit A. Any further change would likely impact areas along the Sunrise Boulevard corridor. Staff will report back to the Commission if the negotiation process should propose any additional adjustments.

**RECOMMENDED EXCLUSIONS TO THE BOUNDARY
SUBMITTED BY PROPONENTS IN THE PETITION
PROPOSING INCORPORATION**

- A. The proposed boundary alternative excludes most of Mather Business Park south of the old base complex and west of Sunrise Boulevard. Most of this area is owned or controlled by the County of Sacramento for airport, open space and golf course uses. These land uses are not likely to change. The modified alternative also excludes all of the property south of Kiefer Boulevard, north of Jackson Highway, west of Sunrise Boulevard and east of Bradshaw Road. This area is primarily used for agricultural and mining purposes. Urban uses are not planned for this area in the immediate or near future.
- B. In addition, the areas north of Highway 50 and east of Sunrise Boulevard and the area north of Highway 50 located east and west of Hazel Avenue are excluded. This avoids splitting the community of Gold River.
- C. The commercial and retail area generally north of White Rock Road, east of Sunrise Boulevard, west of the Folsom South Canal, and south of Highway 50, is also excluded. The southeast corner of White Rock Road and Sunrise Boulevard containing COSTCO is also proposed to be excluded.
- D. The area bounded by Highway 50, Folsom Boulevard, Mayhew Road and Bradshaw Road is excluded. Deletion of this area avoids splitting the community of Butterfield-Riviera. This area could be annexed at a later time.

The boundary proposed in Exhibit A eliminates a significant portion of the commercial and retail area along Sunrise Boulevard, is awkward, and creates a peninsula. However, it appears that this exclusion is the only acceptable manner

by which the County of Sacramento is willing to mitigate the negative fiscal impacts to the County related to the incorporation proposal.

The commercial and retail area along Sunrise Boulevard could be placed in the Rancho Cordova Sphere of Influence with a strong recommendation that this area be annexed into the new city if the incorporation is approved by the electorate, subject to the negotiation of a property tax agreement between the new city and the County of Sacramento. County staff has affirmed this concept with LAFCo and the proponents.

BENEFITS OF MODIFIED BOUNDARY

1. In exchange for the boundary modification, the County of Sacramento appears willing to negotiate an initial payment that is less than the required mitigation payment. The initial shortfall will be repaid by adjusting payments over a twenty-five year repayment term. This mitigation payment agreement would allow your Commission to make the finding that the proposed city of Rancho Cordova is fiscally viable and that the negative fiscal impacts to the County have been mitigated. **Without an agreement, it would be more difficult to make this finding, moreover, the finding could be challenged.**
2. County staff is also willing to include a portion of the Mather Redevelopment Area within the proposed city limits. This inclusion would allow the new city council to have representation in Mather Redevelopment issues and it would also allow funds received from the Mather Redevelopment Area to be expended on low and moderate income housing for the proposed city of Rancho Cordova.
3. The modified boundary of Exhibit A allows future growth areas for the proposed city which are currently being planned for development by the County of Sacramento.
4. The Sphere of Influence of the proposed city could be coterminous with the original boundary submitted by the proponents. Such a Sphere would allow the city to annex excluded areas if both jurisdictions approve a property tax sharing agreement, as required by law.

County staff has tentatively scheduled a report to the Board of Supervisors on January 15th, two days prior to the special LAFCo Commission hearing of January 17th. County staff will seek conceptual approval of the boundary and terms and conditions of the revenue neutrality payment from the Board of

Supervisors at that time. I anticipate that the terms and conditions will follow the format similar to the Elk Grove Agreement.

OTHER BOUNDARY ISSUES

The proposed modified boundary eliminates two areas that are associated with Gold River, one located near Sunrise Boulevard and the other near Hazel Avenue. The Gold River area is generally bounded by Highway 50, Sunrise Boulevard, the American River and Hazel Avenue. Most of the Gold River area was not included in the original petition boundary. However, portions of Gold River were included in the proponents' boundary. A significant portion of property owners in Gold River that were included in the proponents' proposal have submitted a petition requesting removal from the incorporation boundary. Removal of these two areas will not create a negative impact on the proposed incorporation. It is likely to remove a significant amount of opposition to the proposed city which would improve the proponents' chances of success.

The most significant issue that remains to be determined is a request from Aerojet/GenCorp to be excluded from the boundaries of the proposed incorporation. My recommended boundary includes Aerojet holdings.

Aerojet encompasses a significant amount of territory yet it does not have registered voters that could potentially negatively impact an election. I have discussed Aerojet's concerns with their representative. Aerojet is similar to a military base in transition from one use to multiple urban uses that would typically be found in a city. Aerojet is caught in the middle of a potentially significant change in governmental structure during a time period in which it has already begun a commercial long-term planning process with multiple agencies. Aerojet believes that it could be annexed to the proposed city at a later date when its development plans are more certain.

AEROJET (GENCORP) PROPERTY

As mentioned above, Aerojet (GenCorp) continues to oppose inclusion of its property within the incorporation boundary because it is a potential growth area. However, the incorporation proponents believe that Aerojet should be included within the proposed incorporation boundary. The County of Sacramento neither opposes nor supports the inclusion of the Aerojet parcel within the incorporation proposal.

The Aerojet property contains approximately 13,500 acres. There are no registered voters residing within the Aerojet parcel. Currently, there are a

number of complex development issues related to future land use and water availability connected with this site. Aerojet is developing a master plan designed to create both commercial and residential areas within this territory and to retain and maintain operation of its existing facilities (industrial/manufacture).

Aerojet is not currently connected to either sanitary sewer service or to a municipal water service provider. Aerojet has a contract to purchase water from the City of Folsom for its current operational needs. The proposed development of Aerojet property will require that the delivery of municipal service be addressed for any new development.

Aerojet currently lies within the urban services boundary of the County of Sacramento. This area is currently zoned for industrial and manufacturing uses. A significant portion of the property is located in a County Special Planning Area (SPA).

Prior to transition to more intense urban uses, such as commercial, business or residential, it would be appropriate for the Aerojet parcel to be included within the boundaries of a city or cities. Also, Aerojet would need to obtain appropriate General and Community Plan amendments and develop comprehensive infrastructure plans.

The existing uses and revenue received from the Aerojet parcel do not appear to be critical to the proposed incorporation of Rancho Cordova. The development potential of Aerojet exists, however, there are numerous issues that must be addressed. Specifically, a sustainable water supply source has not been identified to serve this area. Moreover, Aerojet is required to clean up contaminated groundwater. However, Aerojet hopes to get approval to carve out areas for development, but the timing and potential development within the Aerojet parcel is not yet certain; however, approvals from the State Regional Water Quality Board are pending.

Aerojet represents a significant land area in comparison to the petition boundaries the proponents brought forth in 1997. It appears to be over 30 percent of the total area proposed for incorporation. The development of Aerojet will have significant regional impacts. It will have a direct impact on the City of Folsom, the unincorporated area north of Highway 50 and obviously, on the proposed city of Rancho Cordova. Residential development has been proposed for the area south of White Rock Road. The entire elimination of the Aerojet parcel from the proposed city creates a very strange boundary if the Sunrise-Douglas area is left within the proposal territory. Unfortunately, the immediate

and only potential growth area for the proposed city of Rancho Cordova is within the Sunrise-Douglas area.

RECOMMENDATION

In spite of Aerojet's concerns, I recommend that the Commission conceptually approve the proposed boundary alternative, as shown in Exhibit A, and direct staff to update the Environmental Impact Report and the Comprehensive Fiscal Analysis.

Respectfully submitted,

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

Peter Brundage
Executive Officer

PB:Maf
Attachment: Exhibit A

(Staff Proposed RC Boundary)

EXHIBIT A

**STAFF RECOMMENDED BOUNDARY ALTERNATIVE
FOR THE PROPOSED INCORPORATION
OF RANCHO CORDOVA**