

**SACRAMENTO LOCAL AGENCY FORMATION COMMISSION**  
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May 1, 2002

TO: Sacramento Local Agency Formation Commission

FROM: Peter Brundage, Executive Officer  
Sacramento Local Agency Formation Commission

RE: **PROPOSED RANCHO CORDOVA INCORPORATION** (12-97)  
**[CEQA: Environmental Impact Report]**

**RECOMMENDATION**

Adopt Commission Resolutions:

- (1) Resolution No. 1240 of the Sacramento Local Agency Formation Commission Certifying the Final Environmental Impact Report for the Proposed Incorporation of Rancho Cordova.
- (2) Resolution No. 1243 of the Sacramento Local Agency Formation Commission Making Determinations for the Approval of the Incorporation of Rancho Cordova.
- (3) Resolution 1241 of the Sacramento Local Agency Formation Commission Adopting Findings of Fact and Statement of Overriding Considerations for the Incorporation of Rancho Cordova.
- (4) Resolution 1242 Adopting a Mitigation Monitoring and Reporting Program for the Incorporation of Rancho Cordova.

**DISCUSSION OF OUTSTANDING ISSUES**

**Revenue Neutrality Agreement**

On April 16, 2002, the Sacramento County Board of Supervisors approved the business points and directed County staff to prepare the final terms and conditions of a Revenue

Neutrality Agreement between the County of Sacramento and Rancho Cordova Incorporation Proponents. A copy of the County staff report is attached for reference, but the report concludes:

“It has been challenging to fashion a proposal providing fiscal viability for the proposed City of Rancho Cordova while also providing for secure revenue neutrality for Sacramento County. Significant boundary modifications and initial discounting of revenue neutrality have been necessary to reach this point. The recommended business terms transmitted herein to your Board represent compromise. It is our expectation that the incorporation proponents will support these business points before LAFCo on April 18<sup>th</sup>. We are recommending the business points to your Board with the understanding that they be the basis of LAFCo’s terms and conditions for the incorporation.”

It is important for the Commission to remember that the boundaries have been significantly modified to address all of the concerns and issues previously raised by the County of Sacramento related to the Rancho Cordova incorporation. The County will be made whole as a result of this agreement and their financial risk has greatly been reduced.

**Mather Commerce Park Issues**  
**Should Territory be Included or Excluded?**

Mather Commerce Park consists of approximately 227 +/- acres. This area is zoned business park, commercial and offices, public and quasi-public and recreational uses. It is part of the County of Sacramento Mather Specific Plan, County Redevelopment Area, and Military Base Conversion Project Area.

The Redevelopment Agency of the County of Sacramento has prepared a Redevelopment Plan for the Mather Air Force Base Redevelopment Project. The purpose of the Redevelopment Area is to rebuild or rehabilitate a blighted area. The goals of the Redevelopment Area are as follows:

- (1) The elimination and prevention of blight and deterioration within the Project area;
- (2) The facilitation of the reuse and redevelopment of the Project area as envisioned by the Mather Field Development Strategy and governed by the County of Sacramento General Plan;
- (3) The improvement and conversion to economic civilian use of the airport within the Project area;
- (4) The assembly of land within the Project area in support of rehabilitation or modern, integrated development;

- (5) The attraction of new private sector investment to the Project area;
- (6) The generation of increased sales tax, ad valorem tax, and other revenues for the County of Sacramento;
- (7) The improvement and, where appropriate, expansion of public facilities including, but not limited to, street, storm drainage, sewer, and utility systems in the Project area;
- (8) The creation and development of new business and employment opportunities;
- (9) The promotion and hiring of residents from areas impacted by the closure of Mather Air Force Base through Agency development agreements;
- (10) The promotion and enhancement of single-family home ownership in the Project area; and
- (11) The development of low- to moderate-income housing in the County.

The area is the former “Main Base Area” of Mather Field, constructed by the Federal Government in 1918 and transferred to the County of Sacramento, as a base conversion project, in 1995. Many of the old military buildings have been demolished.

Inclusion of Mather Commerce Park in the proposed city of Rancho Cordova is, for the proponents of incorporation, the issue of community identity. The community of Rancho Cordova grew up from a rural area as a support system for the military base in the 1950’s.

### **Existing and Proposed Land Uses Within Mather Commerce Park**

These land uses are part of the Mather Specific Plan Area and the approved Redevelopment Plan.

- (1) Approximately 40 acres of land have been transferred from the Federal Government to be used for Sacramento Housing and Redevelopment Area for transitional housing and training programs.
- (2) Approximately 22 acres are used for a Veterans Administration Hospital.
- (3) Rancho Cordova Recreation and Park District – 30 acres.
- (4) Sacramento County Office of Education – 9 acres.
- (5) Chapel and Mather Credit Union – 3 acres.

- (6) Approximately 89 acres, the balance, was transferred by the Federal Government to the County of Sacramento. This area is to be sold and converted to a variety of uses, both public and private as provided in the Redevelopment Plan and Mather Specific Plan.

Less than 90 acres out of 300 acres within Mather Commerce Park remain to be developed. Many parcels within the 90 acres include pending projects.

### **Property Tax Base**

The property tax base for Mather Commerce Park, and the entire redevelopment area, is zero because the federal property status made it exempt from property taxes. All new property taxes collected area considered to be tax increment property taxes that can only be used to benefit the redevelopment area. These property tax revenues cannot be used to provide municipal services to the area. The taxes are used for improving the infrastructure (roads, sewer, sidewalks, etc.). However, twenty percent of the tax increment can be used for low and moderate income housing in the redevelopment area and surrounding community.

The Mather Commerce Park does not generate adequate revenue to cover the cost of providing municipal services. Whether or not it becomes part of the proposed city or remains within the unincorporated area, the cost of providing municipal services to the territory will be the responsibility of the jurisdiction in which it either remains, or is placed.

### **Efficiency of Providing Municipal Services vs. Efficiency of Developing the Mather Commerce Center**

There are two separate and distinct issues related to Mather Commerce Park. The first is which agency would be more efficient at developing and/or redeveloping this area. Currently, the County of Sacramento owns a portion of Commerce Park; the County also controls the development review process, the ability to ensure timely building inspections and other administrative processes that can expedite approvals and the issuance of required permits and plan approvals. [Note: Less than 90 acres out of 300 acres in Mather Commerce Park remain to be developed or sold. The Redevelopment Project area contains a total of approximately 4,000 acres.]

It is clearly an advantage to the County of Sacramento to control the development review process in their ability to negotiate and sell or lease property within Mather Commerce Park. As a result, the County is likely to be the more efficient entity for the purpose of developing the area.

The second issue is the provision of municipal services. Mather Commerce Park, as unincorporated territory, receives services by the County of Sacramento and special districts. After incorporation, the area will be served by some special districts and the

City of Rancho Cordova (initially by contracts between the City of Rancho Cordova and the County of Sacramento).

There will not be a significant change in cost or service level after incorporation. Service costs transferred will remain the same. However, based on LAFCo experience from the incorporations of Citrus Heights and Elk Grove, after incorporation the new jurisdiction has demonstrated an attempt to improve service levels by implementing efficiencies. Given this assumption, it would be conservative to state that the provision of municipal services prior to incorporation would remain similar to the level after incorporation. Potentially, service levels may even improve after incorporation.

In fact, removal of Mather Commerce Park creates an unincorporated island because Mather Air Field has secured or very restricted access. For example, Sheriff's patrol services would have to pass through the City of Rancho Cordova to provide service to Mather Commerce Park.

Nonetheless, the base conversion may be implemented quicker and agreements with the federal government may be satisfied sooner than if the proposed city of Rancho Cordova were to be involved in the partnership process, even with a condition of intent to cooperate for the common good.

On April 16, 2002, the Sacramento County Board of Supervisors discussed but did not take any official action to request a boundary modification to remove the area known as Mather Commerce Park from the proposed city of Rancho Cordova. County staff was directed to work with LAFCo and the proponents to develop additional terms and conditions to address concerns raised by Supervisor Muriel Johnson.

LAFCo has met with the County and proponents related to this issue. There does not appear to be any way other than removing this area from the proposal boundary to absolutely guarantee that the County can retain full control of the development process.

There are benefits to the County and community as a whole by removing Mather Commerce Park from the proposed city boundary and placing it in the unincorporated area. However, the only overwhelming reason to do so is to expedite redevelopment of the military base conversion plan previously discussed.

Mather Commerce Park was included within the proposed city boundary based upon tentative concurrence from County staff. Unfortunately, new issues have recently been raised by County staff related to implementing the redevelopment strategy of Mather Commerce Park.

Your Commission has three options regarding Mather Commerce Park:

1. Make no change in boundaries for proposed city that were defined at meeting of April 18, 2002.
2. Remove Mather Commerce Park from boundary of proposed city.
3. Remove Mather Commerce Park and place the Commerce Park in Rancho Cordova's Sphere of Influence.

In my opinion, inclusion or exclusion of Mather Commerce Park is not a substantive issue for incorporation. Arguments can be made to include or exclude this area from the proposed city. However, it appears to be in the best of interest of Sacramento County to exclude the territory. Likewise, it appears to be in the best interest of the proponents to place Mather Commerce Park in the proposed boundary based on community identity and service delivery issues.

**Aerojet Inclusion Area**  
**Residential Development**  
**Revenue vs. Expenditures**

See attached letter from Economic and Planning Systems, Inc., related to inclusion of the additional Aerojet 2700 acre parcel. In summary, EPS concludes that the proposed city will continue to be viable and the mitigation payment will be secured over the entire repayment term. The inclusion of the Aerojet parcel does not impact the Comprehensive Fiscal Analysis for the proposed incorporation of Rancho Cordova. However, it will have impacts on future land-use decisions by the City Council.

**Staff Comments**

Generally, revenue from residential development does not cover the cost of providing municipal services. This statement applies to development in the unincorporated area of the County as well as in the cities within the County. Typically, it is more expensive for a jurisdiction to serve new residential development than the money it receives in property tax for the provision of those services.

Usually, residential development is supported by one or both of the following:

- (1) New sales tax revenue from new commercial or retail development, or
- (2) Subsidization of new residential growth by existing commercial development and/or by other residential communities.

Thus, if the inclusion of the 2700 acre Aerojet property were to be developed primarily as residential development in the unincorporated area, other unincorporated areas would very likely subsidize the cost of providing municipal services to this residential

development. Or, as EPS suggests, new financing sources would have to be implemented. Basically, jurisdictions transfer existing resources from one area to another area. This fact is one of the main arguments for incorporation. Proponents of new cities want to reduce, or limit, the transfer of revenue from their community to other unincorporated areas in the County.

In the case of Rancho Cordova, growth in revenue above the required mitigation payment can be used for new residential development within the community, i.e., the revenue would not be used in other unincorporated areas or for Countywide mandated programs. Likewise, if the Aerojet inclusion territory is developed within the unincorporated area of the County, other communities, e.g., Arden-Arcade, would likely subsidize the cost of municipal services to this new residential area unless new financing sources are approved.

Revenue neutrality was introduced into law to protect the County from the loss of revenue from areas that generate surplus revenue should an area choose to incorporate. The law primarily addresses an equity issue and the requirement to determine the initial financial viability of a city. After incorporation, the new city will have to finance new residential development through growth in sales tax revenue from existing and new residents, through cost savings and efficiencies, raising new taxes, or reducing service levels.

Nonetheless, upon incorporation, these choices will be made by the City Council, and not by the County Board of Supervisors. The choices are the same for every local jurisdiction. In addition, each governing body must deal with reduced revenue during recessionary periods as well as the fiscalization of land use that resulted after the adoption of Proposition 13, and the fact that residential development does not pay for itself—no matter which local jurisdiction in which it is located.

### **Statutory Procedures for Incorporation**

The County of Sacramento believes that the proposed incorporation of Rancho Cordova should be processed under the Cortese-Knox Local Government Reorganization Act rather than by the recent revisions implemented by AB 2838 [Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000].

The petition was certified by the Registrar of Voters in November, 1999. Hertzberg legislation deemed that an application deemed complete prior to January 1, 2001, would be processed under the Cortese-Knox Reorganization Act. Due to the long term nature of an incorporation process, the delay in obtaining the required information for fiscal analyses and the nature of this Commission determined six-boundary study area, staff based its analysis on the Hertzberg requirements. The application was not deemed complete by the Executive Officer because the fees for the Environmental Impact Report had not been completely paid by the proponents [prior to April 18, 2002]. Sacramento LAFCo and Sacramento County differ on this issue.

Staff has conducted the analysis of this incorporation proposal under the Hertzberg bill; essentially, the only significant difference between the two acts is that the Cortese-Knox Act would require the County of Sacramento to act as the conducting authority for the proposal--- that is, the County Board of Supervisors would hold a protest hearing and call the election. Under the new act, LAFCo may act as the conducting authority for proposals and call elections.

### **Conducting Authority**

Under the Cortese-Knox Act, if Sacramento LAFCo approves the proposed incorporation, the Sacramento County Board of Supervisors will conduct a public hearing to receive written protest from landowners or registered voters within the incorporation territory. A majority protest by registered voters will terminate the proceeding without an election.

### **CONCLUSION**

The issue of election requirements make it imperative for your Commission to adopt final resolutions on this date, May 1, 2002. The Registrar of Voters has requested that a map and legal description be delivered to their offices by June 14, 2002, in order to have the necessary time to prepare for a November 2002, election.

After your Commission action, the LAFCo resolutions will be forwarded to the conducting authority, the Sacramento County Board of Supervisors, for further action. The Board of Supervisors will set the date for a protest hearing and call the election. "The legal deadline for the resolution calling the election is August 9, 2002."<sup>1</sup>

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<sup>1</sup> Dwight M. Beattie, Chief Deputy Registrar of Voters, County of Sacramento, Memorandum dated October 17, 2001, to Marilyn Flemmer, regarding maps and boundaries for the proposed incorporation of Rancho Cordova.



After Commission action on May 1, 2002, between the dates of May 1, 2002 and May 31, 2002, your Commission will be open to a 30-day request for reconsideration period. Any written request for reconsideration stating the reasons for the request must be filed in the Office of Commission Staff by 4:30 P.M. on May 31, 2002, accompanied by a \$250 check. In my opinion, if any request for reconsideration is received, your Commission must hold its reconsideration hearing on June 5, 2002.

Respectfully,

***SACRAMENTO LOCAL AGENCY FORMATION COMMISSION***

Peter Brundage  
Executive Officer

PB:Maf  
Attachments

(RC Mather Report)