

# Mid-Coast Incorporation/Annexation Fiscal Study

Final Report June 1998



Prepared for:

Mid-Coast Community Council



Environmental Services Agency • Planning & Building Division  
San Mateo County • California

## ENVIRONMENTAL SERVICES AGENCY



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# COUNTY OF SAN MATEO

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June 30, 1998

To: Mid-Coast Community Council  
Affected Agencies  
Interested Parties

From: Paul M. Koenig  
Director, Environmental Services Agency

Subject: Executive Summary: Mid-Coast Incorporation/Annexation Study

The attached Mid-Coast Incorporation/Annexation Study has been prepared at the request of the Mid-Coast Community Council (MCCC). The study provides fiscal data in the form of a full fiscal year's budget for two potential forms of government: the incorporation of the communities of Montara, Moss Beach, Princeton, El Granada and Miramar; or annexation of these communities to the City of Half Moon Bay. The study also includes general information on alternative revenue sources available to cities and specific revenue generating land use alternatives for the study area. Maps and tables are followed by an appendix which includes information on special districts that serve the study area, the LAFCo process and estimate of the cost and time involved in an annexation or incorporation application, comparative data on general fund revenues of the 20 cities in San Mateo County and a summary of recent incorporations in California. The fiscal study process has also included distribution of a draft report and comment period. Comments are included as Appendix C and responses to comments that are within the scope of this study have been included in the body of the final report.

As indicated in the previously circulated drafts, the reader should keep in mind that this study is not exhaustive. To the extent possible, estimates represent revenues and expenditures that would apply to a full fiscal year of operation under current conditions. Capital costs associated with municipal offices, vehicles and equipment, or expansion of park and recreation facilities are not included. We also note that cost estimates reflect a very basic level of service and some revenues and expenditures, such as sales tax and attorney costs, are not fixed and may vary due to unforeseen events. Should a formal annexation or incorporation application be submitted to LAFCo, more detailed analysis would be required. In particular, in the case of incorporation, a comprehensive fiscal analysis would need to provide estimated revenues and expenditures for the first three years of incorporation.

The fiscal study indicates that based on current conditions, the incorporation budget results in a deficit of \$887,000 and annexation would result in an annual deficit of \$1.44 million. Fiscal data assumes only those revenues available in the study area based on current conditions and does not project revenues that might result from the discretionary action of a future city council or electorate. It should also be noted that while a future council may exercise discretion over service levels to realize a cost saving, estimated expenditures are based on maintaining the current level of services provided by the County of San Mateo for the incorporation scenario or those of the City of Half Moon Bay for the annexation scenario.

The purpose of this fiscal study is to provide the MCCC with information that will assist the Council and the community in deciding whether or not to formally pursue incorporation or annexation. It is recommended that the study be reviewed at a series of public meetings as a basis for the MCCC and the community to consider topics such as the community's vision of local governance, desired level of municipal services, feasibility of alternative revenue sources and the overall fiscal and political feasibility of incorporation or annexation. It is hoped that thorough public dialogue and consideration of data contained in this report will result in identification of the feasibility of, and measure of support for, the form of government that will best serve the Mid-Coast community.

I wish to thank George Bergman, Senior Planner; Andrew Delaney, Planner II and Martha Poyatos, LAFCo Management Analyst, for their efforts in preparing this report as well as staff member of local and state agencies who contributed data. Having completed the fiscal study as requested by the Mid-Coast Community Council and Supervisor Rich Gordon, staff will continue to be available to attend community meetings to be scheduled by the Mid-Coast Community Council.

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cc: Supervisor Rich Gordon

## **INTRODUCTION**

This study examines the potential fiscal impacts of operating the unincorporated Mid-Coast under two alternative scenarios of local government organization: incorporation, and annexation to the City of Half Moon Bay. For the purposes of this study, the Mid-Coast is defined as the unincorporated area north of Half Moon Bay and within the urban-rural boundary established in the County's *Local Coastal Program*. The study area is shown in Map 1.

The primary aim of this study is to develop estimates of the cost of providing municipal services to the Mid-Coast and anticipated revenues for a full year of operation based on current conditions. The study presents these data in the form of a city budget and includes a discussion of methods that could be used to close any identified revenue/expense gap and addresses alternative methods of generating revenue such as special taxes, and fees. In addition, it evaluates the revenue generating potential of various land uses that could potentially be located in the Mid-Coast, the locational requirements of revenue generating land uses, and the possible locations for such land uses in the Mid-Coast given local development constraints.

This fiscal study is limited in scope, and is only intended to present a preliminary picture of the fiscal viability of each alternative municipal arrangement. It examines fiscal impacts under one full fiscal year of operation based on existing service levels and costs, and does not project fiscal impacts in future years. Consideration of future fiscal impacts would require, among other things, speculation regarding the amount and type of new development in the Mid-Coast and a sophisticated analysis of future retail sales capture, and is thus outside the scope of this study.

In addition, the study only analyzes the operating costs of providing services to the Mid-Coast, and does not address financing costs for major capital improvements such as land, buildings, vehicles, and computer equipment. A more comprehensive study would be required by the Local Agency Formation Commission (LAFCo) prior to approval of an incorporation or annexation. Such a study would need to address capital costs and project fiscal impacts five years into the future.

Costs associated with the process of incorporation and annexation such as LAFCo application fees, comprehensive fiscal analysis, and environmental studies are not included in the fiscal analysis. However, estimates of these costs and a general description of the process for incorporation and annexation are provided in Appendix A.

This study assumes that all existing special districts will remain intact following incorporation or annexation with the exception of County Service Area No. 6. In the case of CSA No. 6, State law requires that territory within the boundaries of a CSA be withdrawn when included within the boundaries of a city. The fiscal impacts of the reorganization of independent special districts are not addressed by this study. However, budget data for independent special districts are provided in Appendix B.

## FISCAL ANALYSIS

This study assumes that the following municipal services are provided in the Mid-Coast:

- General Government
- City Attorney
- Police
- Animal Control
- Public Works Administration and Maintenance
- Planning and Building Inspection Services
- Parks and Recreation (Annexation Scenario only)

Under the Incorporation Scenario, it is assumed that police and public works services are contracted out to San Mateo County. This is not intended to imply a willingness of the County to enter into contracts with the new city. All other services listed above are assumed to be provided by the new Mid-Coast city in the case of incorporation, or by the City of Half Moon Bay in the case of annexation.

The costs of providing services to the Mid-Coast are based on existing service levels and costs for services currently provided by the County to the Mid-Coast or by the City of Half Moon Bay within its jurisdiction. In general, San Mateo County service levels and costs are used for the Incorporation Scenario, and Half Moon Bay service levels and costs are used for the Annexation Scenario. Service cost estimates presented in this analysis are as conservative as possible, while maintaining existing Half Moon Bay or San Mateo County service levels.

Revenue projections are based on data provided by the State Board of Equalization, State Controller's Office, the City of Half Moon Bay and the County of San Mateo. All revenue estimates are based on existing population and land use conditions. To the extent possible, revenue estimates are calculated in accordance with applicable State government and tax codes.

The results of the fiscal analysis are summarized below and itemized by cost and revenue category in Table 1. A detailed discussion of the methodology used to estimate all revenues and costs is presented below.

### General Fund Fiscal Impacts

	<b>Incorporation</b>	<b>Annexation</b>
General Fund Revenues	\$2,440,000	\$2,146,000
General Fund Expenditures	\$3,317,000	\$3,586,000
General Fund Surplus/Deficit	(\$877,000)	(\$1,440,000)

## **Municipal Revenue Estimates**

### ***Property Tax***

Different methods are used to determine property tax revenue for each scenario. Each method is illustrated in Table 4. For incorporations, California Government Code Section 56842 stipulates that the amount of property tax transferred to the new city must be determined by LAFCo through a three-step method. First, an estimate of the portion of County revenues available for general purposes in the previous fiscal year is determined. This is also known as the “auditor’s ratio,” and is defined as the ratio of property tax revenue to all general purpose (i.e., discretionary) revenue. The second step is to estimate the net cost of services to be transferred to the new city. In the third step, the gross property tax transfer is calculated by multiplying the auditor’s ratio by the net cost of services to be transferred. For the Mid-Coast, this results in a gross property tax transfer of \$596,000.

Finally, it is necessary to deduct from this amount the required contribution to the State Educational Revenue Augmentation Fund (ERAF) for local schools. This deduction was made at a rate of 41.85 percent, the rate at which the County currently contributes to ERAF. As shown in Table 4, the resulting net property tax transfer for the Incorporation Scenario is \$347,000.

In an annexation, property tax transfers are determined through a negotiation process between the County and the city receiving the territory. This process is initiated by an annexation application and is based on a transfer of a portion of the County’s share of the 1 percent property tax to offset the transfer of service responsibility to the city. Absent this negotiation process and the authority to negotiate on behalf of the County or the city, staff has assumed a new city would receive property tax revenue based on the highest existing property tax share in the City of Half Moon Bay, or 6.87 percent. This tax share was applied to the estimated assessed valuation of the study area to arrive at a gross property tax transfer of \$534,000. Following deduction of the ERAF contribution, the net property tax transfer comes to \$311,000 for the Annexation Scenario.

### ***Sales Tax***

Local governments receive one percent of the taxable retail sales receipts occurring within their jurisdiction. The estimated sales tax generated in the Mid-Coast was obtained from the State Board of Equalization (SBOE). The estimate is based on taxable sales for the twelve months ending June 30, 1997. Sales taxes for businesses that were in operation for just a portion of that period were adjusted by the SBOE to reflect the tax that would be expected from an entire year’s activity. As shown in Table 5, the sales tax generated in the Mid-Coast is estimated at \$260,000. Sales tax revenue is assumed to be the same under the Annexation and the Incorporation Scenarios.

### ***Real Property Transfer Tax***

Real property transfer tax is a tax levied upon the transfer of ownership of real property (i.e., land and buildings). The Mid-Coast real property transfer tax was estimated using the ratio of Half Moon Bay real property transfer tax to total Half Moon Bay assessed value. This ratio was applied to the estimated Mid-Coast assessed value to arrive at an estimate for Mid-Coast real property transfer tax. The estimated Mid-Coast real property transfer tax for the Incorporation and the Annexation Scenarios is \$42,000. The calculation of real property transfer tax is shown in Table 6.

This methodology assumes that under both the Incorporation and the Annexation Scenarios, the relationship between transfer tax revenues and assessed value will be the same for the Mid-Coast as it is currently in Half Moon Bay. This implies that property transfer tax rates and property turnover rates will be similar in the two areas.

### ***Transient Occupancy Tax***

Transient occupancy tax (TOT) is a tax on hostelry units (i.e., hotels, motels, and bed and breakfasts), and is calculated as a percentage of the room rate. Transient occupancy tax is based on actual TOT revenues collected from Mid-Coast hostelrys during calendar year 1997. As shown in Table 7, the estimated Mid-Coast transient occupancy tax is \$212,000. This transient occupancy tax estimate is used for both the Annexation and the Incorporation Scenarios.

This figure does not include tax that would be collected from projects that have been approved but not yet built, including one 84-room hotel and two bed and breakfasts with a combined 11 rooms, for a total of 95 rooms. With these units in operation, transient occupancy tax revenues could increase by as much as \$364,000, for a total transient occupancy tax of \$576,000. However, this potential increase assumes an occupancy rate of 70 percent for the new rooms, which is optimistic given the magnitude of the projected increase in hostelry units in the Mid-Coast area.

### ***Business License Tax***

Business license tax is imposed on firms for the privilege of conducting business within a city. It can be levied as a flat per business rate, or can be based on gross receipts, number of employees, quantity of goods produced, number of vehicles, or square footage. For both scenarios, it is assumed that a business license tax is levied in the Mid-Coast based on number of employees, consistent with the way business license tax is currently levied in the City of Half Moon Bay. The County of San Mateo does not currently have a business license tax.

To estimate Mid-Coast business license tax revenues using this employee based approach, average tax per employee for Half Moon Bay was calculated and applied to the estimated number of employees in the Mid-Coast. As shown in Table 8, Mid-Coast business license tax is estimated at \$82,000. This business license tax estimate is used for the Annexation and the Incorporation Scenarios.

### ***Franchise Fees***

Franchise fees are levied on services such as public utilities and cable television for the privilege of conducting business in a city. Under the assumption that franchise fees are reasonably related to population, Mid-Coast franchise fees were estimated using the Half Moon Bay total franchise fees per resident and applying this factor to the Mid-Coast population. The calculation of franchise fees is shown in Table 9. Estimated Mid-Coast franchise fees are \$184,000. This franchise fee estimate is used for both the Annexation and the Incorporation Scenarios.

### ***Planning and Building Fees***

Planning and building fees for the Incorporation Scenario are based on actual fees collected by the San Mateo County Planning and Building Division in 1997 for projects in the unincorporated Mid-Coast. The estimated planning and building fee revenues are \$412,000. This methodology assumes that under the Incorporation Scenario, planning and building activity will continue at the 1997 rate, and fee levels will remain the same.

For the Annexation Scenario, planning fees and building fees were calculated separately, using two different methods. Mid-Coast planning fees were estimated using Half Moon Bay's average planning fees per Coastal Development Permit (CDP), and multiplying this amount by Mid-Coast Coastal Development Permits. This approach assumes Coastal Development Permits are a reasonable measure of planning activity and planning fees, that planning fees will be collected from the Mid-Coast at the same average rate per Coastal Development Permit as in Half Moon Bay, and that planning activity in the Mid-Coast will remain similar to 1997 levels. Using this methodology, planning fees collected from the Mid-Coast are estimated at \$88,000. This amount is about \$28,000 more than the planning fees collected in Half Moon Bay in 1997 because about 50 percent more Coastal Development Permits were processed for development in the Mid-Coast than in Half Moon Bay (47 versus 32 CDPs).

Building fees for the Mid-Coast under the Annexation Scenario were estimated by applying Half Moon Bay building fees per capita to the Mid-Coast population. This approach assumes that population is a reasonable measure of building activity and building fees, and that building fees will be collected in the Mid-Coast at the same rate per resident as currently collected in Half



Moon Bay. Mid-Coast building fees are estimated at \$124,000. Thus, for the Annexation Scenario, the total estimated planning and building fees for the Mid-Coast is \$212,000.

The calculation of planning and building fees is shown in Table 10.

### ***Parks and Recreation Fees***

This study assumes that no parks and recreation services will be provided under the Incorporation Scenario, and thus no parks and recreation fees will be collected. Under the Annexation Scenario, parks and recreation fees are estimated based on Half Moon Bay recreation fees per capita. Fees per capita were multiplied by the Mid-Coast population to arrive at estimated Mid-Coast recreation fees of \$279,000. This calculation is shown in Table 11. This approach assumes the relationship between population and recreation fees will be the same in for Mid-Coast as it is currently in Half Moon Bay.

### ***Police Fees, Fines and Penalties***

Police fees, fines and penalties were estimated by calculating Half Moon Bay fees, fines and penalties per capita and applying this ratio to the Mid-Coast population. This methodology assumes the Mid-Coast will generate the same police fees, fines and penalties per capita as the City of Half Moon Bay. As shown in Table 12, estimated Mid-Coast police fees, fines and penalties revenue is \$67,000. The same estimate for police fees, fines and penalties is used for both the Annexation and the Incorporation Scenarios.

### ***State Motor Vehicle In-lieu Fee***

For both the Incorporation and the Annexation Scenarios, State motor vehicle in-lieu (SMVIL) fee revenue was calculated by multiplying the State mandated revenue per capita amount by the estimated population. For the Incorporation Scenario, population is determined using three times the registered voter count. SMVIL for the Annexation Scenario is calculated using population estimates from the U.S. Census or the State Department of Finance. Using these methodologies, the SMVIL revenue is \$816,000 for the Incorporation Scenario and \$477,000 for the Annexation Scenario. After seven years, SMVIL revenue for the Incorporation Scenario converts to distribution according to the actual population rather than the proxy of three times the registered voter count. Based on existing Mid-Coast population and voter count, this would result in a loss of general purpose revenues available to the new city. The calculation of the SMVIL is shown in Table 13.

## **Municipal Cost Estimates**

Municipal services which, by statute, must be assumed by a new city upon incorporation are: law enforcement, planning and land use control, building inspection and public works (engineering, construction and maintenance of streets, bridges and public facilities). Other services that are traditionally transferred are: animal control, parks and recreation and fire protection. For the purposes of this study, staff was directed not to include parks and recreation. Fire protection service is provided by Point Montara and Half Moon Bay Fire. Animal Control Services have been included because currently each city in the county contracts with the County of San Mateo for this service.

In addition, a new city must create general government to administer the services it will undertake. For the purposes of this study, general governmental services include: city council, city manager, city attorney, city clerk, finance department and support staff. As stated earlier, expenditures estimated below include estimated operating costs and do not examine capital expenditures.

### ***General Government***

As shown in Table 14, different methods are used for estimating general government costs for the Incorporation and Annexation Scenarios.

Under the Incorporation Scenario, staff levels reflect a very basic level of service. Staffing includes a City Manager, City Clerk, Finance Director, Secretary and Accounting Technician. Salaries for these positions are based on the existing salary schedule for the City of Half Moon Bay. Overhead costs were determined by preparing a basic budget for costs such as rent, office supplies, and insurance, and are based on several sources, including the Half Moon Bay budget and local auditing and real estate specialists. Total general government costs for the Incorporation Scenario are \$581,000.

For the Annexation Scenario, additional staff levels and costs are based on existing standards in Half Moon Bay. Staffing includes two Secretaries, one Accounting Technician and two Administrative Clerks. Operating expenses were estimated by applying Half Moon Bay's ratio of general government overhead to staff costs, as provided in the budget. Total general government costs for the Annexation Scenario are \$368,000.

### ***City Attorney***

City Attorney expenses are shown in Table 15. Attorney costs for both scenarios are based on the Half Moon Bay budget, which allocates annual costs of \$70,000 for a contract attorney.

Discussions with the City's contract attorney revealed concerns that actual costs for legal fees may vary based on unforeseen litigation. Staff's legal cost estimates assume the same legal costs as Half Moon Bay for a newly incorporated city, and a 50 percent increase in legal costs, or \$35,000 in the case of an annexation.

### ***Police***

This study assumes that under the Incorporation Scenario, police services would be contracted out to the San Mateo County Sheriff's Office, and under the Annexation Scenario, police services would be provided by the Half Moon Bay Police Department. Police expenses are shown in Table 16. Cost estimates for police services for the Mid-Coast were provided by the San Mateo County Sheriff's Office and the Half Moon Bay Police Department. The County Sheriff provided an estimate of \$1,714,000 for 15.5 police officers, or 1.29 officers per 1,000 residents. The Half Moon Bay Police Department provided an estimate of \$1,707,000 for 17 officers, or 1.41 officers per 1,000 residents. Both estimates are based on levels of service currently provided by the Sheriff's Office and Police Departments in the unincorporated Mid-Coast and Half Moon Bay, respectively. The Sheriff's estimate is based on officers beginning their shift from the Coastside Substation.

### ***Animal Control***

Animal control costs are shown in Table 17. Animal control services in San Mateo County are managed by the San Mateo County Environmental Services Agency and provided by contract through the Peninsula Humane Society. Costs for animal control services are funded by the County unincorporated areas and each city according to a formula based on a mix of assessed valuation and population. If the unincorporated Mid-Coast were incorporated or annexed, the countywide contract would not increase, rather charges to each city and the balance of the unincorporated area would be adjusted accordingly. For the purposes of this study, anticipated charges for the City of Half Moon Bay in the amount of \$19,000 are used for both scenarios.

### ***Public Works***

Different methods are used to estimate public works costs under each scenario. For incorporation, public works costs represent the staff and overhead costs for a Public Works Director/Engineer who would oversee contract services for road maintenance and limited landscape and lighting services to be provided by San Mateo County or another entity. This method assumes that the level of service currently provided by the County of San Mateo is maintained. Staff and overhead costs for the Incorporation Scenario total \$109,000. Road maintenance and landscape and lighting services are funded by revenues such as gas tax, road

funds and special district revenues which are restricted to these uses and therefore not included in the general fund.

The Mid-Coast Community Council has commented that the Public Works Director's salary could be funded by Road Funds, not included in the general fund. No change has been made to Table 1 although a cost accounting method could be implemented that would charge the public works director's salary to specific projects within the planning or public works departments on an actual time basis, thereby offsetting the cost of the director's salary expenditure in the general fund.

For the Annexation Scenario, public works costs reflect staffing adequate to provide the same level of maintenance and operation currently provided by the City of Half Moon Bay, excluding sewer service, which in the study area is provided by special districts. Including overhead costs, public works cost for the Annexation Scenario is estimated at \$461,000. Capital Costs are excluded in both scenarios.

Public Works expenses are shown in Table 18.

### ***Planning and Building***

Different methods were used for the calculation of planning and building costs for the Incorporation and the Annexation Scenarios. Incorporation costs are shown in Table 19, and annexation costs are shown in Table 20.

Under the Incorporation Scenario, planning and building costs are based on the existing level of service provided to the Mid-Coast by the San Mateo County Planning and Building Division. Costs are calculated by estimating the portion of total resources the Planning and Building Division currently allocates to the Mid-Coast. For current planning services, this allocation is based on the percentage of total current planning staff time dedicated to Mid-Coast related work, estimated at 27.4 percent. For building inspection services, this allocation is based on the percent of total County building permits issued for Mid-Coast projects, estimated at 19.4 percent. For long range planning services, it is assumed that the Mid-Coast would require at least one Planner II to maintain existing service levels. Using this methodology, total Mid-Coast planning and building costs for the Incorporation Scenario are estimated at \$523,000. This budget would fund a staff of one Planning Administrator, two and a half Planner IIs, two and a half Building Inspectors, and one and a half Office Assistants.

The MCCC has recommended using Half Moon Bay's service levels and costs for the Incorporation Scenario. Such an assumption would be inappropriate and misleading unless the scenario also based its revenue estimate on Half Moon Bay's lower fee revenues (i.e., the Annexation Scenario). San Mateo County's estimated higher fee revenues for Mid-Coast

planning and building services can only be justified by the high levels of service provided to the Mid-Coast. A cut in service levels would require a corollary assumption of a corresponding decrease in revenues.

Under the Annexation Scenario, planning and building costs were based on the existing level of service provided by the Half Moon Bay Planning Department. Planning staff required for the Mid-Coast were calculated on a Planner per Coastal Development Permit basis, while required Building Inspectors and overhead costs were estimated on a per capita basis. This approach assumes that Coastal Development Permits are a reasonable indicator of planning activity and staff time, and that population is a reasonable indicator of demands on Building Inspector staff time and overhead costs. The estimated planning and building costs for the Annexation Scenario are \$336,000. This budget would fund a staff of two and a half Associate Planners, one and a half Building Inspectors and one and a half Secretaries.

In the case of incorporation, a new city is required by law to adopt an interim ordinance that all County ordinances shall remain in effect for 120 days and establish a planning agency which may be the city council or a planning commission. It is also required that, within thirty months from incorporation, a new city adopt a general plan which may involve wholly adopting the County's general plan or adopting an amended plan, or developing new policies. The cost estimates presented do not cover the costs of revisions to a new city's General Plan, Zoning Ordinance, or the Local Coastal Program.

### ***Parks and Recreation***

This study assumes that parks and recreation services would not be provided under the Incorporation Scenario. For the Annexation Scenario, parks and recreation staffing levels are based on Half Moon Bay's per capita staffing levels. Since the population of the two areas is nearly the same, the assumed staffing level for the Annexation Scenario is the same as currently exists in Half Moon Bay. To account for economies of scale, additional parks and recreation staff required under an annexation include two Parks Supervisors and *no* Parks and Recreation Director, since there is already a Parks and Recreation Director for the City of Half Moon Bay. As shown in Table 21, the estimated Mid-Coast parks and recreation costs under the Annexation Scenario are \$335,000.

### **Other**

The Mid-Coast Community Council has asked whether a new city could assume the County's rights and responsibilities with respect to the Half Moon Bay Airport. The Half Moon Bay Airport is a general aviation, single runway airport, owned and operated by the County of San Mateo. The airport is administered by the San Mateo County Department of Public Works and

the governing body of the Airport is the Board of Supervisors. While incorporation or annexation would alter the boundaries in which the County of San Mateo would have jurisdiction over land use planning, police, etc., it would not alter the status of county owned facilities.

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## **REVENUE AUGMENTATION**

### **Introduction**

Table 1 of the fiscal study identifies deficits for incorporation and annexation of approximately \$877,000 and \$1.44 million respectively. It should be noted that Table 1 represents a basic, minimum estimated budget for each scenario, excluding capital improvements for incorporation and annexation and parks and recreation in the case of incorporation. For this reason, it is not recommended that any portion of the deficit be offset by reducing the expenditure budget. Furthermore, a formal incorporation or annexation application would require a more detailed fiscal study and may reveal new or different information that could result in higher expenditures, requiring increased revenues as well.

This section provides an overview of revenue sources available to a city and summarizes two basic methods of offsetting estimated deficits: (1) fees and taxes that would be subject to approval of the city council and voters, and (2) land use alternatives that would contribute to property and sales tax revenues. This discussion is intended to provide a point of reference for the Mid-Coast Community Council and the affected residents as to the extent to which potential new revenues can augment the general fund of the new or annexing city and inform the taxpayer of how they might be affected by potential revenue sources.

### **Municipal Revenue Raising Authority**

In general, primary sources of revenue for cities are property tax and sales tax. Property tax is allocated to local agencies as a portion of 1% of assessed valuation property tax collected by the County. Sales tax is distributed to cities at a rate of 1% of all sales taking place within a city's jurisdiction. Along with transient occupancy tax, these revenues are associated with land use, and are therefore addressed in the Land Use Analysis. This Section discusses revenues that can be raised independent of new development.

### ***General and Special Taxes***

Cities also have the authority to levy general and special taxes subject to voter approval. General taxes include business license, utility user tax, transient occupancy (bed) tax, real property transfer tax, admissions tax, parcel tax and parking tax. General taxes are deposited into the general fund for unrestricted use and require simple majority vote (Government Code Section 37100).

Special taxes include Mello-Roos Community Facilities Tax, and Parcel Taxes for Library Services, Police or Fire. Special taxes are assessed in the form of a non ad valorem tax (i.e., not

based on value) on parcels and may be assessed in various ways such as a flat rate per parcel rate or a rate based on parcel size/use or number of units per parcel. As result of Proposition 13, it is a non ad valorem tax and may not be based on the value of property. If levied for a specific purpose, special taxes require a 2/3 voter majority to be enacted and 2/3 voter approval every four years thereafter.

### **Parcel Tax**

One method of generating revenues to offset the deficit would be a parcel tax in which the estimated deficit would be divided by parcels located in the study area. As stated in Part 1 of this Section, parcel taxes may be levied in various ways such as parcel size, use and whether or not the site is developed. Assessment methods may, for example, distinguish mobile homes from single and multi-family residential or commercial uses. For the purposes of this study, the method of dividing the deficit by the estimated total number of privately owned parcels is used. Further study of incorporation or annexation would require analysis of parcels in the study area including specific number, size and types of use of parcels to determine the exact method of assessment.

An estimate of the Assessor's parcels within the study area consisting of the unincorporated area, within the urban rural boundary north of Half Moon Bay indicates that there are approximately 5,350 privately owned parcels in the study area. Assuming a parcel tax is calculated based on this figure, it would be necessary to annually assess each parcel \$163 for incorporation and \$269 for annexation.

### **Business License Tax**

Table 1 of the Fiscal Study includes a business license tax based on the current per employee business license tax charged in the City of Half Moon Bay and the current number of employees in the study area. In addition to new development that would increase the number of businesses paying a business license tax, options available for increasing business license tax revenue include gross receipts, gross payroll and flat fees. Currently, the County of San Mateo does not collect a business license tax and the City of Pacifica to the north has a business license tax based on gross receipts as well as a separate home occupation permit fee. In addition to revenue generating potential, consideration should be given to equity to affected businesses, practice of neighboring (competing) cities, and administrative ease. Implementation of a business license tax would be subject to approval of a majority of the voters in the affected territory.



### ***Fees***

Cities may impose fees, charges or rates not to exceed the estimated cost of providing a particular service or facility. Procedures for fee and rate adoption are set forth in Government Code Sections 54954.6 and 66000 et seq.

Fees that could be levied include, but are not limited to, planning and building, water or sewer fees, and parks and recreation. Based on data collected and presented in Table 1, alternatives that would be available to the new city or the city of Half Moon Bay would be to increase fees and charges to recover the costs of providing services. In particular, this could be applied to Planning and Building, and Parks and Recreation in the case of Annexation. In order to recover costs for Planning and Building, fees would need to increase by 27% in the incorporation scenario and by 58% in the annexation scenario. In the case of Parks and Recreation in the annexation scenario, fees would need to be increased by 20% to cover the cost of providing services as estimated.

### ***Other Revenue Sources***

The following revenue sources are not within the scope of this study, but would be financing mechanisms available to the new city or the City of Half Moon Bay.

### ***Benefit Assessments***

Benefit assessments are charges levied against property to finance public improvements or services provided within a specific area. Benefit assessments are levied in proportion to the benefits received from the improvement or service. Assessments are subject to an election in which only property owners or renters who would pay the assessments would vote. Ballots cast are weighted based on the amount of the assessment the property owner or renter would pay. In order to charge an assessment, the following conditions must be met:

- Local governments must estimate the amount of “special (or direct) benefit” landowners would receive from a project or service, and the landowner may only be assessed based on the cost of providing that benefit.
- Assessments may not exceed the cost of providing the service or improvement to the property.
- Local governments must charge schools and other public agencies their share of assessments.

- Local governments must conduct a mail-in election in which property owners and/or renters responsible for paying the assessment would be eligible to vote on the assessment.

### ***Debt Financing***

Cities may issue general obligation bonds, certificates of participation/lease revenue bonds, tax allocation (redevelopment) bonds or other debt instruments to finance municipal improvements.

### **Other**

Other revenue sources include investment revenue, federal, state and county grants, franchise fees for public utilities, cable television and refuse collection. Many California cities have begun implementing programs to generate or recover revenues such as sale of surplus equipment or property, cost recovery for police, fire and public works, and higher fees for non-residents using certain city services. More information on these revenue sources is provided in the League of California Cities [California Municipal Revenue Sources Handbook](#).

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## **LAND USE ANALYSIS**

### **Introduction**

The land use analysis examines the potential for offsetting fiscal deficits by establishing land uses that could result in a positive net fiscal impact on a municipal budget. The first section discusses key factors that typically influence the fiscal impacts of various land uses, and lists the potential land uses in the Mid-Coast that would be more likely to result in a positive net fiscal impact. The following section discusses key factors that commonly enter into decisions on where to locate fiscally positive land uses. The land use analysis concludes with an assessment of potential locations for revenue generating land uses in the Mid-Coast, given locational preferences and regulatory and infrastructure constraints. This final section is accompanied by maps that illustrate possible locations for fiscally positive land uses in the Mid-Coast.

### **Key Factors Determining the Fiscal Impact of Land Uses**

The fiscal impact of a given land use is dependent upon both the level of municipal services it requires as well as the revenues it generates. Service demands and revenue generating potential are influenced by a variety of different factors, many of which are unique to individual land use types.

### ***Costs***

Municipal service requirements and associated costs are primarily related to the number of residents and/or employees associated with a given land use. In general, the more residents or employees associated with a given land use, the higher the demand will be for municipal services. For example, a land use with more people will be more likely to generate more calls for police service, or a greater demand on park facilities. Conversely, land uses with fewer residents or employees will have a greater likelihood of resulting in a positive net fiscal impact. Examples of lower density land uses include low impact manufacturing and large lot residential uses.

The type of residents associated with a land use is often just as important in determining service demands as the number of residents. For instance, households with seniors are more likely to require emergency medical services, while households with children place more of a demand on parks and recreation services.

While residents and employees are the most common determinant of service demands, service requirements are also influenced by a variety of other factors. The market orientation of retail uses will influence the number of customers that come from out of the area, impacting municipal services such as road maintenance and law enforcement. For this reason, a tourist-oriented business may have a more significant impact on services than a local serving retail use. Another

factor that could affect service demands is property values (including the value of personal property), which can influence the frequency of police calls. In addition, development patterns affect the amount of required roads and other infrastructure, and thus ongoing maintenance costs, required by a given land use. In general, higher density and/or infill development has been demonstrated to be more cost effective than sprawling, large lot development.

### ***Revenues***

Revenues are generated from a number of different sources, including taxes, fees, and intergovernmental transfers. With the exception of intergovernmental transfers, which are typically disbursed based on population, the principal revenue sources for most jurisdictions are property tax and sales tax. In addition, transient occupancy tax can be a significant source of revenue for communities, such as the Mid-Coast, with a visitor-oriented economy. As the revenue sources with the highest income generating potential in the Mid-Coast, property tax, sales tax, and transient occupancy tax are the primary revenue factors that will determine the net fiscal impact of a given land use.

### **Property Tax**

Property tax is an ad valorem tax (i.e., based on value) imposed on real property (i.e., land and permanently attached improvements such as buildings) and tangible personal property located within the State. Proposition 13, which passed in 1978, limits property tax to 1 percent of property's assessed value, and limits annual increases in assessed value to 2 percent. In addition, new and resale properties are assessed at current appraised value.

Land uses with the highest assessed value will be most desirable from the standpoint of property tax generation. Assessed value is dependent upon the size, location and physical characteristics of the site as well as the size, design, materials, and age of the buildings. However, another important factor affecting property tax revenues is the rate at which a property changes ownership. Since the rate of increase in assessed value is often less than the rate of inflation, the real value of property taxes collected from a land use in constant ownership often dwindles over time. The only way to ensure a property's assessed value accurately reflects its current market value is for it to be reassessed as a result of a resale.

Thus, in sum, the most desirable land uses for generating property tax are those with high property values and frequent turnover rates.

### Sales Tax

Largely as a result of the property tax restrictions imposed by Proposition 13, jurisdictions around the State have become increasingly dependent upon sales tax as a revenue source. Unless a land use can maintain a sufficiently high assessed value, it will not generate enough property tax revenues to offset service costs. However, a land use that generates substantial sales tax revenues will have a much higher probability of being fiscally positive.

Sales tax is levied on retail sales of tangible personal property, which is any material asset, such as household goods and business equipment, which is readily movable and not permanently attached to real property. Sales tax in the amount of one percent of the value of the sale is allocated to the jurisdiction in which the point of sale is located, or where the principal negotiations occur.

If a company has a sales office in a jurisdiction other than where its main offices are located, only the jurisdiction with the sales office would receive sales tax proceeds from that business. This is important to note for the Mid-Coast, which may want to focus its business recruitment efforts on sales tax generating points of sale such as sales offices rather than entire companies that may be too large to locate in the Mid-Coast.

### Transient Occupancy Tax

Transient occupancy tax is also a significant potential revenue source for communities with a visitor-oriented economy such as the Mid-Coast. Transient occupancy tax is a tax levied on hostelry units (i.e., hotels, motels, and bed and breakfasts), based on a percentage of the room rate. In jurisdictions with a transient occupancy tax, hostelries are likely to be fiscally positive, and can contribute significantly to a jurisdiction's net revenues.

### ***Net Fiscal Impacts***

Land uses that are most fiscally beneficial are those that combine minimal need for municipal services with the ability to generate higher revenues. However, as explained above, the impacts of a given land use are highly dependent upon the particular characteristics of individual land uses, as well as the service arrangements and tax structure of a given community.

The following is a general representation of potential land uses for the Mid-Coast that would be more or less likely to be fiscally positive, listed in alphabetical order. The listing is based on a review of the research on fiscal impact analysis, as well as the basic principals of fiscal impact analysis outlined above. The table is intended for illustrative purposes only, and is not an exhaustive list of potential fiscally positive land uses in the Mid-Coast.

More Likely  
Fiscally Positive

- Administrative, Professional, and Business Offices
- Hostelrys
- Indoor Low to Moderate Impact Manufacturing
- Research and Development Facilities
- Restaurants
- Indoor Retail Sales, Rental or Repair Establishments

Less Likely  
Fiscally Positive

- Multi-Family Homes
- One-Family Homes

Regardless of the probable fiscal impacts of a specific land use, there is always a point at which a land use can generate sufficient revenues to offset service costs, making what might normally be considered a fiscally negative land use fiscally beneficial. For example, a 3,000 square foot single-family home on a large lot will generate substantially more property tax, and is thus much more likely to be fiscally positive, than a 1,500 square foot single-family home on a small lot. While single-family homes generally tend to be fiscally negative, there is always an assessed value beyond which a single-family home begins to generate enough property tax to become fiscally positive. This “break-even point” is unique to each jurisdiction.

This discussion is intended to provide a general understanding of the important factors determining fiscal impact. A more detailed cost benefit analysis would be needed to quantify the fiscal impacts of specific proposed land uses.

Once a jurisdiction ascertains the likely fiscal impacts of various land uses, there are four strategies it can use to influence the mix of land uses in order to avoid a negative fiscal outcome. With “neutral fiscal zoning,” a jurisdiction zones land in such a way that new land uses generate the exact amount of revenues necessary to pay for the cost of providing public services. Thus, new residents are not required to subsidize existing residents, and vice-versa. “Fiscal squeeze zoning” seeks a mix of land uses that will generate the most net revenues. “Scarcity zoning” limits the amount of land available for development, minimizing service costs, and driving up assessed values and, thus, property taxes. Finally, using “public goods zoning,” a jurisdiction promotes the mix of land uses that is least dependent on public services.

### **Locational Preferences of Revenue Generating Land Uses**

To be successful, land uses cannot locate just anywhere. Each land use has special locational preferences. The following is a discussion of the primary factors affecting the location decisions of the land uses identified above as being fiscally positive.

### ***Accessibility***

Accessibility is probably the single most important locational requirement for any land use. Residential land uses need to have good access to job markets so their residents will be within an acceptable commute distance of their work sites. Non-residential land uses need to have good access to their labor pool, customer base, and suppliers. If a business is inconveniently located, potential employees, customers, and suppliers will choose other, better located establishments. For most businesses that generate a significant volume of vehicle trips, it is important to be conveniently located near major roads. For some businesses such as wholesale distributors, it may be important to be located near an airport.

### ***Infrastructure***

All land uses require sites that provide required infrastructure, including water, sewage, gas and electricity at competitive hook-up costs. Unless they are publicly funded, the costs of extending infrastructure a considerable distance to a new development site can be prohibitive.

### ***Parcel Characteristics***

Many uses, particularly non-residential uses, have specific requirements related to the parcel characteristics of the potential site. Certain businesses require a minimum parcel size to carry out their operations. For example, research and development oriented businesses often prefer a spread out campus-like environment, isolated or buffered from neighboring land uses. Manufacturing firms need adequate space for their machinery, as well as sufficient room for truck loading and movement if the use will serve as a distribution center. Further, most non-residential uses prefer a level site in order to keep construction costs at a minimum as well as to facilitate vehicle movement.

### ***Visibility***

Visibility is extremely important for retail businesses. In order to increase their customer base, retail businesses prefer locations where signage can easily be viewed by large numbers of potential customers. This typically means locating alongside highways that support a high volume of automobile traffic. In the Mid-Coast, locating immediately adjacent to Highway 1 would offer firms the highest level of visibility.

### ***Development Regulations***

Planning and zoning regulations govern the permitted land use type, density, size, and design of a project in a given location. These regulations are intended to minimize conflicts between incompatible land uses and ensure that new projects harmonize with existing development. Developers generally prefer to locate where regulations already permit their project with a minimum of requirements and, in general, where development issues have already been resolved by the community in advance. This spares developers the burden of amending adopted plans and ordinances and swaying community opinion, which is often extremely costly and time consuming.

### ***Special Requirements***

There are many other locational requirements that may be important for various fiscally positive land uses. As mentioned above, privacy is sometimes preferred by research and development firms. Some office uses place a premium on natural amenities such as views, an attractive natural landscape, and walking and bicycle trails, which they see as an advantage for attracting prospective employees. Other uses may prefer to locate near a town center, where services such as restaurants, dry cleaners, and day care centers are within easy walking distance for their employees.

### **Potential Locations for Fiscally Positive Land Uses**

The final section of this study assesses potential Mid-Coast sites for locating fiscally positive land uses. Specifically, the section begins with a discussion of the regulatory setting, infrastructure availability and transportation access to the Mid-Coast. This is followed by an analysis of existing commercial and industrial zoned areas that can accommodate fiscally positive land uses. The section concludes by identifying ten potential sites that could be rezoned for such land uses. Each site is assessed for its relative strengths and weaknesses in accommodating fiscally positive development.

### ***Regulatory Setting***

#### **General Plan**

The County General Plan recognizes the Mid-Coast as an “urban community” because of its relatively large size and population, its mix of land uses, and because it functions much like a



self-contained community. Although the predominant land use is residential, the Mid-Coast has commercial and industrial areas that serve the local population and contribute to the local economy.

### Local Coastal Program

The Local Coastal Program (LCP) is an area plan that implements the California Coastal Act for coastal San Mateo County. Among the plan's key policies is an urban-rural boundary around the Mid-Coast to restrict urban uses and utilities to this area. The LCP is an infill plan, in that it essentially limits community growth to the infilling of existing subdivided lots, and does not create new areas for urban development. As such, the urban Mid-Coast has relatively few unsubdivided large parcels and development of these open lands is currently restricted to extremely low density land uses.

The LCP designates Highway 1 as a County Scenic Corridor in much of the urban Mid-Coast to protect views from the road. In addition, the plan requires that new development be designed to minimize the blocking of ocean or shoreline views, and be scaled to conform with the existing community character. LCP design criteria require architectural detailing, subdued colors, textured materials and landscaping for industrial development. Commercial buildings must reflect the nautical character of the area, use wood or shingle siding, employ natural or sea colors, and have pitched roofs.

Designated priority uses include commercial recreation and marine related industrial uses at Pillar Point Harbor and Princeton, where building height is limited to 28 feet east of Denniston Creek.

### Zoning Regulations

The County Zoning Regulations implement LCP land use policies by establishing zoning districts which specify: (1) allowable land uses, (2) maximum development density, (3) building location and size standards, and (4) development design criteria.

The principal non-residential zoning districts in the urban Mid-Coast are:

1. Neighborhood Commercial (C-1) which is intended primarily to accommodate trades and services that meet the needs of surrounding residential areas.
2. Coastside Commercial Recreation (CCR) which is intended primarily to accommodate visitor serving trades and services and recreational land uses that meet the commercial needs of coastal visitors and residents.

3. Light Industrial (M-1) which is intended primarily to accommodate manufacturing and industrial uses that do not create more than a moderate impact on the surrounding area.
4. Waterfront (W) which is intended to provide a “working waterfront” area that primarily accommodates marine related trades and services and industrial land uses that support commercial fishing and recreational boating activities.

As shown on Map 2, existing commercially zoned land includes: (1) five prominent neighborhood commercial (C-1) clusters on or near Highway 1, which together comprise 193 acres, and (2) two commercial recreation/visitor serving (CCR) areas, one at Pillar Point Harbor/Princeton (41.6 acres) and one on the shoreline at Miramar (3.1 acres). In both areas, restaurants, lodging, and other visitor serving facilities are emphasized.

Existing industrially zoned land consists of: (1) the 345-acre Half Moon Bay Airport zoned M-1, (2) land just west of the Half Moon Bay Airport (47 acres) zoned M-1, and (3) most of the Princeton area (39 acres), zoned W. The Airport Overlay (AO) zoning district affects a portion of the W zoned area, and significantly restricts the size of allowed development.

The Design Review (DR) overlay zoning district covers the entire urban Mid-Coast. All commercial or industrial development is subject to design review to assure it conforms with the LCP design criteria described in the previous section.

The six fiscally positive land uses identified in the previous section are suitable in the following zoning districts:

1. **Hostelries and restaurants** are suitable in commercial areas zoned C-1 or CCR.
2. **Indoor retail uses** are suitable in commercially zoned areas, as follows:
  - a. Neighborhood commercial businesses in areas zoned C-1.
  - b. Larger commercial outlets in areas zoned C-2 (General Commercial).
  - c. Visitor-serving retail uses in areas zoned C-1 or CCR.
3. **Administrative, professional and business offices** are suitable in commercial areas zoned C-1, industrial areas zoned M-1, and office areas zoned O (Office).
4. **Low to moderate impact manufacturing and research and development facilities** are suitable in light industrial (M-1) zoned areas. **Low to moderate impact manufacturing**

**facilities** are also suitable in select W zoned areas, i.e., inland from the shoreline and not limited AO District requirements.

### ***Infrastructure Availability***

#### Water Supply

There are two water providers in the Mid-Coast: (1) Citizens Utility Company, which serves Montara, Moss Beach, and the Half Moon Bay Airport vicinity, and (2) Coastside County Water District, which serves El Granada, Princeton and Miramar.

Citizens Utility Company currently lacks water capacity for additional development. Individual on-site wells are allowed for residential development. However, unless the company develops additional water sources or alternative water supply techniques are implemented, new commercial and industrial development could not occur. An alternative technique suggested by the Mid-Coast Community Council would be for the Montara Sanitary District as a “water board” to contract with Coastside County Water District to provide water to parcels in the Sanitary District’s service area.

In contrast, Coastside County Water District has sufficient water capacity to serve planned LCP buildout, including commercial and industrial development.

#### Wastewater Treatment

Wastewater treatment in the Mid-Coast is provided by three agencies. The Montara Sanitary District and Granada Sanitary District operate sewage collection facilities. The Sewer Authority Mid-Coastside (SAM) operates a sewage treatment and disposal facility in Half Moon Bay. SAM is jointly managed by the two sewer districts and the City of Half Moon Bay.

The Montara Sanitary District serves Montara, Moss Beach, and the northern Half Moon Bay Airport vicinity. The Granada Sanitary District serves the southern Half Moon Bay Airport vicinity, El Granada, Princeton and Miramar.

While now operating near capacity, the SAM treatment facility is currently being expanded to serve planned LCP buildout, including commercial and industrial development. Expansion is projected to be complete by early 1999.

### ***Road Access***

All traffic in and out of the Mid-Coast occurs on Highway 1, either (1) connecting with Highway 92 in Half Moon Bay for access to the Bayside, (2) north over Devil's Slide for access to Pacifica and San Francisco, or (3) south for access to the rural South Coast and Santa Cruz County.

Peak traffic congestion on these roads occurs during commute hours and on fair weather weekends. During these peak hours, drivers experience a Level of Service (LOS) of E, characterized by unstable traffic flow and significant delay. The highest peak hour traffic volumes occur on: (1) Highway 1, near the Highway 92 intersection (in Half Moon Bay), and (2) Highway 92 between Highway 1 and I-280. The lowest traffic volumes occur on Highway 1, south of Half Moon Bay.

Highway 92 is currently being widened to provide a continuous uphill slow vehicle lane between Half Moon Bay and Skyline Boulevard. When complete, drivers should experience LOS D, which is characterized as approaching unstable flow, with variable speeds and minimal delay.

When adequate funding is secured, construction of a Highway 1 tunnel that bypasses Devil's Slide can begin. The tunnel will assure a dependable coastal road from the Mid-Coast to the north, but will not add capacity.

### ***Assessment of Existing Commercially and Industrially Zoned Areas for Fiscally Positive Land Uses***

#### Commercial Zoned Areas

The five neighborhood commercial (C-1) clusters located on or near Highway 1 are approximately 85% developed. There are scattered vacant lots that collectively comprise 29 acres which could be developed with fiscally positive **retail uses, restaurants, hostelries, or administrative, professional and business offices**. A significant number of single-family and multi-family residences are located in these C-1 zoned areas. Existing residential development, though allowed, reduces the supply of land additional preferred commercial uses.

The Coastside Commercial Recreation (CCR) zone at Pillar Point Harbor/Princeton is approximately 63% developed with a harbor facility, visitor serving and marine related uses, as well as several residences. There are 15.4 acres of undeveloped land (excluding the approved Pillar Point Village development site) that could be developed with fiscally positive **restaurants, hostelries, and visitor serving retail** uses.

The CCR zoned area at Miramar is approximately 83% developed with visitor serving uses and several residences. There are 25,300 sq. ft. of undeveloped land that could be developed with additional fiscally positive visitor serving uses.

### Industrial Zoned Areas

Industrial land at Half Moon Bay Airport is currently committed to airport uses, including administration facilities, hangars, taxiways, runways, and assuring a safe approach zone and clear space. The draft Half Moon Bay Airport Master Plan (1997) identifies a 23-acre area that could be developed with non-Airport industrial or commercial uses. This triangular shaped area borders Highway 1 in the northeast portion of the property.

The 47-acre M-1 zone just west of Half Moon Bay Airport is divided into two areas, each bordering the El Granada Mobile Home Park. The southern area (17.6 acres) is entirely undeveloped while the northern area (29.4) is predominantly undeveloped. Both areas are highly suitable for fiscally positive **administrative, professional and business offices, research and development facilities, and low to moderate impact manufacturing uses**. However, this land is within the Citizens Utility Company water service area and water supply will not be available for the foreseeable future. In addition, although the area is zoned for industrial uses, such development may cause increased traffic, noise, or odors near the mobile home park.

The 39-acre Waterfront (W) zone at Princeton is approximately 25% developed with scattered marine industrial and other allied waterfront uses (including caretaker's units), storage facilities, as well as 19 single-family residences. There are scattered vacant lots that collectively comprise 29.1 acres (excluding approved, but unbuilt development sites) in the Waterfront zone. Many of these vacant lots are used as boat yards and for open storage.

An 8.6-acre vacant property located between the subdivided Princeton area and Pillar Point Marsh offers potential for fiscally positive uses. In the subdivided W zoned area, land assemblage to accommodate such uses may be constrained by the existing scattered development. In addition, approximately 40 percent of this area is governed by the Airport Overlay (AO) zoning district, which effectively precludes research and development, and manufacturing facilities by not allowing more than three persons on the site.

### ***Assessment of Potential Sites that Could be Rezoned for Fiscally Positive Land Uses***

Nine urban Mid-Coast sites that are currently not zoned for commercial or industrial development have been identified as potential locations for fiscally positive land uses. To accommodate fiscally positive commercial or industrial land uses, these sites would need to be rezoned, requiring corresponding amendments to the Local Coastal Program. The sites, which range between six and 23 acres in area, are shown on Map 2, and are analyzed in the balance of this report.

Site One: Farallon Vista Affordable Housing Site

The 10-acre undeveloped Farallon Vista site is located south of Montara (see Map 3), approximately 400 feet east of Highway 1, with access from Carlos Street. The site slopes gently upward to the east at about a 9% gradient, and is bordered on the south by medium density residential development, on the north and east by open space, and on the west by Carlos Street and Highway 1. Current zoning (R-3-A) allows 148 dwelling units on the site, a portion of which are reserved for low and moderate income households.

The site's moderately large size and good accessibility to Highway 1 contribute to its attractiveness for fiscally positive commercial or industrial development. In addition, site development would not be visible from Highway 1 due to local topography.

Among the site's shortcomings is that it is served by Citizens Utility Company, which does not currently have the water capacity for such new development. In addition, rezoning to allow non-residential uses would weaken the effectiveness of the County General Plan Housing Chapter's program for providing affordable housing. Finally, depending on the type and mix of commercial or industrial uses, adjacent residences may experience increased traffic, noise, or odors.

Site Two: Etheldore Site East of Half Moon Bay Airport

This 7-acre undeveloped, bullet shaped site is located south of Moss Beach (see Map 4) beside Highway 1 and Etheldore Street, just east of the Half Moon Bay Airport. The site is level, and is bordered on the north by medium density residential development, on the east by Etheldore Street, and on the west and south by Highway 1. The entire site is covered with prime agricultural land and located within the Highway 1 county scenic corridor. Current zoning is RM/CZ where the principal permitted uses are those compatible with open space, which include limited residential development. The site is owned by San Mateo County.

The site's extensive highway/street frontage and superb highway accessibility contribute to its attractiveness for fiscally positive development.

Among the site's shortcomings is that it is served by Citizens Utility Company, which does not currently have the water capacity for such new development. Also, the site is prominently visible from Highway 1, and its relatively small size may limit the type and mix of preferred commercial and industrial uses. Although this site is designated urban and not currently being farmed, conversion of its prime soil to urban uses would further diminish this County resource. Finally, adjacent residential development on the north may experience increased traffic, noise, or odors.

Site Three: Agricultural Site West of Half Moon Bay Airport

This 17-acre undeveloped site is located between the Seal Cove area of Moss Beach and the Half Moon Bay Airport (see Map 5), approximately 1,200 feet west of Highway 1, with access from Cypress and Airport Streets. The site is nearly level, and is bordered on the south by undeveloped industrial (M-1) zoned land, on the east by Half Moon Bay Airport, on the north by medium density residential development, and on the west by low density residential development and vacant agricultural land. Approximately 3/4 of the site is covered by prime agricultural soil and about 50% located at the periphery of the designated Highway 1 county scenic corridor. Current zoning is Planned Agricultural District (PAD), with agriculture the principal permitted land use.

The site's relatively large size and location adjacent to other industrial zoned land and the Half Moon Bay Airport contribute to its attractiveness for fiscally positive industrial development. Visual impacts from site development would be minimized due to an approximate 1/4 mile separation from Highway 1. The site's attractiveness would be enhanced if the site were consolidated with the bordering 29 acre M-1 zoned property, and developed as a 63-acre business park.

Among the site's shortcomings is that it is served by Citizen's Utility Company, which does not currently have the water capacity for such new development. In addition, current access to Highway 1 is somewhat lengthy (2,200 feet) and would require vehicles to pass through a residential area. However, a new road could be built along the Airport's northern boundary to provide more direct and compatible access. Although the site is designated urban and the prime agricultural soils on the property are not currently being farmed, their conversion to urban uses would further diminish this County resource.

Site Four: Agricultural Site Near Pillar Point Harbor

This 23-acre undeveloped site is located beside Highway 1 and Capistrano Road between El Granada and Pillar Point Harbor (see Map 6). The site is level, and is bordered on the south by commercial recreation (CCR) zoned land (future site of the Pillar Point Village lodging and shopping development), on the east by Highway 1 and El Granada, and on the north and west by Half Moon Bay Airport. The entire site is covered by prime agricultural soils and located in the Highway 1 county scenic corridor. Current zoning is Planned Agricultural District (PAD), with agriculture the principal permitted land use.

The site's (1) relatively large size, (2) extensive highway frontage and excellent highway accessibility and visibility, (3) location adjacent to other commercial and industrial zoned land, and (4) impending sewer and water availability contribute to its attractiveness for fiscally positive development.

Among the site's shortcomings is that it is prominently visible from Highway 1 in an area of shoreline and harbor views. The Local Coastal Program requires that new development be designed to minimize the blocking of ocean or shoreline views, and be scaled to conform with the existing community character. This may mean limiting building height to 28 feet as is required for adjacent commercial recreation development. Although the site is designated urban and the prime agricultural soils on the property are not currently being farmed, their conversion to urban uses would further diminish this County resource. Finally, depending on the type and mix of commercial or industrial uses, adjacent visitor serving uses may experience increased traffic, noise, or odors.

#### Site Five: El Granada School Site

The 23-acre undeveloped El Granada School site is located within the northern portion of El Granada (see Map 7), approximately 125 feet east of Highway 1, with access from Coral Reef and Sonora Avenues. The site is level, and is bordered on the north and south by medium density residential development, on the east by the North El Granada Affordable Housing site (Site Six), and on the west by Sonora Avenue, near Highway 1. Current zoning is Single-Family Residential (R-1/S-17). The site is not located in the Highway 1 county scenic corridor.

The site's relatively large size, good highway accessibility, impending sewer and water availability and location outside of a visually protective area contribute to its attractiveness for fiscally positive development. Its attractiveness would be enhanced if the site were consolidated with the bordering 6-acre North El Granada Affordable Housing Site (Site Six), and developed as a 29-acre business park.

Among the site's shortcomings is that, depending on the type and mix of commercial or industrial uses, nearby residences may experience increased traffic, noise, or odors.

#### Site Six: North El Granada Affordable Housing Site

The 6-acre undeveloped North El Granada Affordable Housing site is located within the northern portion of El Granada (see Map 7), approximately 1,400 feet northeast of Highway 1, with access from Sevilla Avenue. The site slopes upward at an approximately 11% gradient, and is bordered on the north, east, and south by medium density residential development, and on the west by the El Granada School site (Site Five). Current zoning (R-3-A) allows 104 multiple family residential dwelling units on the site, a portion of which are reserved for low and moderate income households. The site is not located in the Highway 1 county scenic corridor.

The site's impending sewer and water availability and location outside a visually protective area contribute to its attractiveness for fiscally positive development. Its attractiveness would be



enhanced if the site were consolidated with the bordering 23-acre El Granada School Site (Site Five), and developed as a 29-acre business park.

Among the site's shortcomings is that access to Highway 1 is somewhat lengthy (1,800 feet) and crosses a residential area. In addition, its relatively small size may limit the type and mix of preferred commercial or industrial uses, and nearby residences may experience increased traffic, noise, or odors. Also, rezoning to allow non-residential uses would weaken the effectiveness of the County General Plan Housing Chapter's program for providing affordable housing.

#### Site Seven: El Granada COSC Site

This 14-acre undeveloped site is located beside Highway 1 between El Granada and Pillar Point Harbor (see Map 8). The site is level, and is bordered on the north and east by neighborhood commercial, and medium and high density residential development in El Granada, on the west by Highway 1 and Pillar Point Harbor, and the south by El Granada Elementary School and the Mirada Surf West Site (Site Eight). The entire site is located in the Highway 1 county scenic corridor and is visible from Highway 1. Current zoning is Community Open Space Conservation District (COSC) where only low intensity uses that preserve the visual and open characteristics of the land are permitted.

The site's moderately large size, extensive highway frontage and superb highway accessibility and visibility, and impending sewer and water availability contribute to its attractiveness for fiscally positive development.

Among the site's shortcomings is its long narrow configuration, with an average parcel depth of approximately 170 feet. This shape may limit the type and number of preferred commercial or industrial uses. In addition, resultant site development could compromise the intent of existing COSC zoning by obstructing foreground views of El Granada. Finally, depending on the type and mix of new uses, nearby residences may experience increased traffic, noise, or odors.

#### Site Eight: Mirada Surf West Site

The 15-acre undeveloped Mirada Surf West site is located beside Highway 1 between the most southern portion of El Granada and the Pacific Ocean (see Map 9). The site is level, and is bordered on the south by scattered medium low density residential and commercial recreation development in Miramar, on the east by Highway 1, El Granada Elementary School and the Mirada Surf East Site (Site Nine), on the north by City of Half Moon Bay undeveloped shoreline, and on the west by the Pacific Ocean. The entire site is located in the Highway 1 county scenic corridor and is partly visible from Highway 1. Current zoning is Resource Management/Coastal Zone (RM/CZ), where the principal permitted land uses are those compatible with open space, which include limited residential development. The County is currently reviewing a proposal to

rezone the Mirada Surf East site and construct 35 homes, while keeping the Mirada Surf West Site as permanent open space.

The site's moderately large size, extensive highway frontage and superb highway accessibility and visibility, and impending sewer and water availability contribute to its attractiveness for fiscally positive development. Its attractiveness would be enhanced if the site were consolidated with the 17-acre Mirada Surf East Site (Site Nine), and developed as a 32-acre business park or visitor serving complex.

Among the site's shortcomings is that it is a shoreline area that is visible from Highway 1. The Local Coastal Program requires that new development be designed to minimize the blocking of ocean or shoreline views, and be scaled to conform with the existing community character. This may mean limiting building height to 28 feet as is required for adjacent commercial recreation development. The site also experiences shoreline erosion, which left unchecked, could significantly reduce its usable area. Finally, depending on the type and mix of commercial or industrial uses, nearby residences and visitor serving uses may experience increased traffic, noise, or odors.

#### Site Nine: Mirada Surf East Site

The 17-acre undeveloped Mirada Surf East site is located beside Highway 1 between the southern most portion of El Granada and Miramar (see Map 9). The site slopes gently to the east at a 5% gradient, and is bordered on the south by scattered medium low density residential development, on the east by the El Granada Quarry community park and open space, on the west by El Granada Elementary School and the Mirada Surf West Site (Site Eight), and on the north by existing medium density residential development. The entire site is located in the Highway 1 county scenic corridor. Current zoning is Resource Management/Coastal Zone (RM/CZ). The County is currently reviewing a rezoning request to construct 35 homes on the site.

The site's moderately large size, superb highway accessibility and visibility, and impending sewer and water availability contribute to its attractiveness for fiscally positive development. Its attractiveness would be enhanced if the site were consolidated with the 15-acre Mirada Surf West Site (Site Eight), and developed as a 32-acre business park or visitor serving complex.

Among the site's shortcomings is that new commercial or industrial development, even with design review approval, would interrupt the presently open views from Highway 1 of the back dropping hills. Also, depending on the type and mix of commercial or industrial uses, nearby sensitive land uses (residences, school, and park land) may experience increased traffic, noise, or odors.

### Potential Sites Summary

All of the sites analyzed have a combination of strengths and weaknesses for fiscally positive development. The table shown on the following page summarizes the key distinguishing features of each site as discussed in this report.

### **Conclusion**

The land use analysis has identified the potential land uses in the Mid-Coast that would be more likely to result in a positive net fiscal impact. The analysis has also identified actual sites that could accommodate these uses under existing zoning regulations, as well as sites where such uses could locate if zoning were amended.

This analysis does not quantify the magnitude of net fiscal impacts new land uses would have. Therefore, it is not possible to determine with certainty the amount of revenue generating development that would be necessary to overcome the budget shortfalls anticipated for both the Incorporation and Annexation Scenarios. Existing zoning may already provide enough appropriately zoned land to result in a balanced budget. However, rezoning to accommodate additional commercial uses may be necessary.

	1	2	3	4	5	6	7	8	9
<b><u>STRENGTHS</u></b>									
· Good Accessibility to Highway 1	+	+		+	+		+	+	+
· Low Visual Impacts	+								
· Large Parcel Size	+		+	+	+		+	+	+
· Available Infrastructure				+	+	+	+	+	+
· Away from Residential Area			+	+					
· Near Commercial/Industrial Area			+	+					
<b><u>WEAKNESSES</u></b>									
· Poor Accessibility to Highway 1			- <sup>1</sup>			-			
· High Visual Impacts		-		-			-	-	-
· Small Parcel Size	-	-				-			
· Lack of Infrastructure		-	-						
· Near Residential Area	-	-			-	-	-	-	-
· Removes Affordable Housing Potential	-					-			
· Converts Agricultural Soils		-	-	-					
· Coastal Erosion								-	

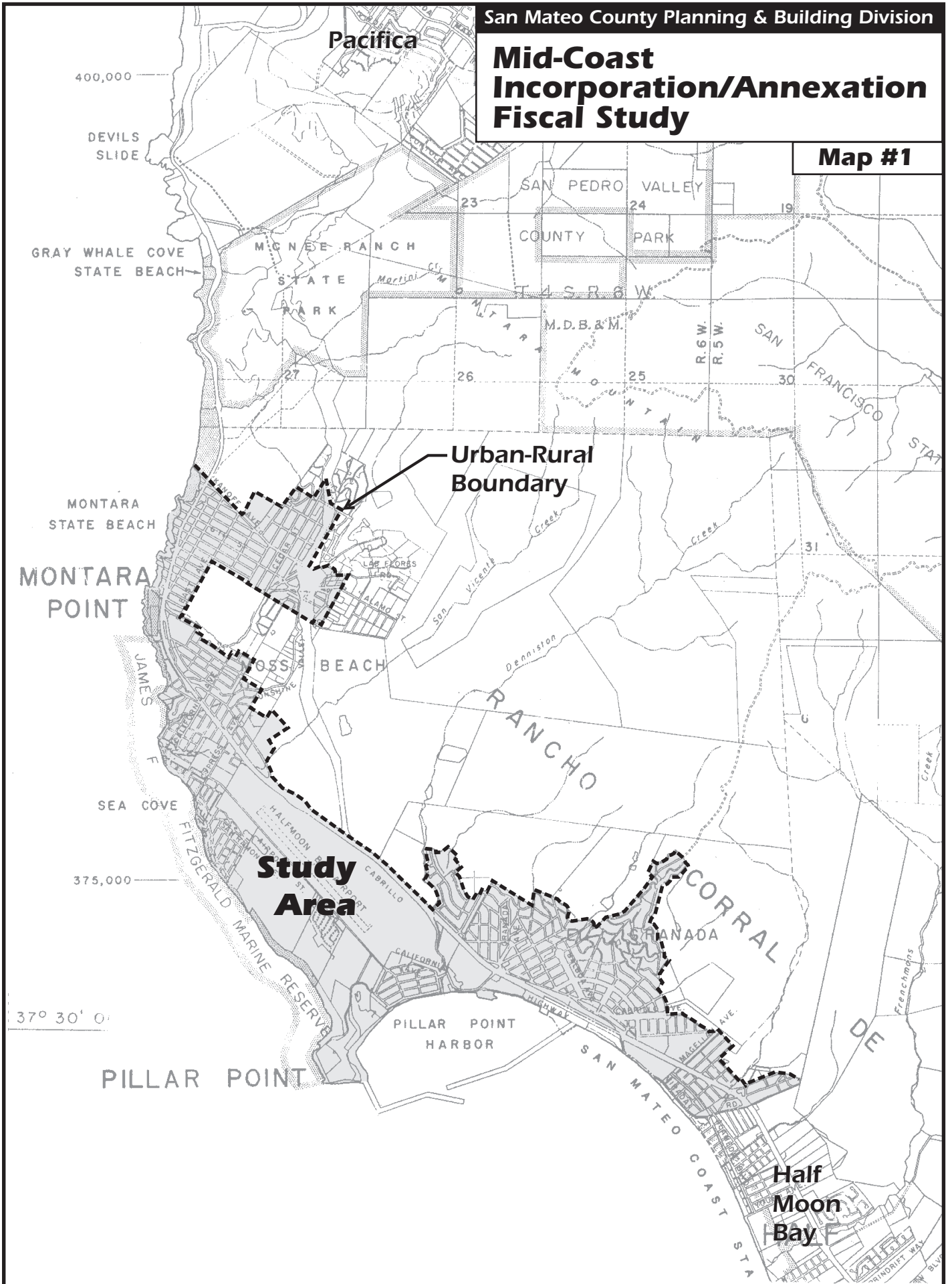
<sup>1</sup>Correctible with new road construction.

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# Maps

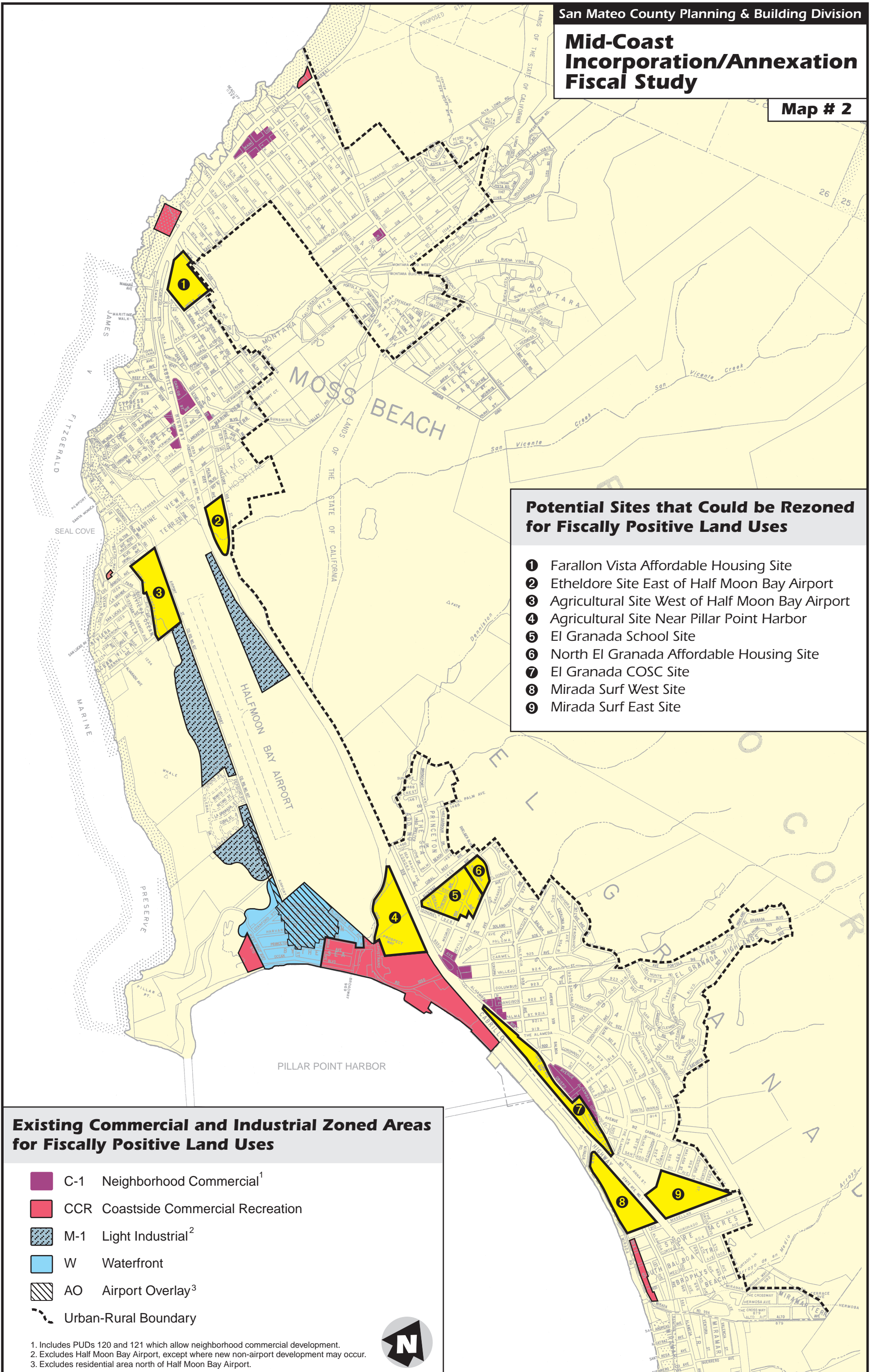
# Mid-Coast Incorporation/Annexation Fiscal Study

Map #1



# Mid-Coast Incorporation/Annexation Fiscal Study

Map # 2



## Potential Sites that Could be Rezoned for Fiscally Positive Land Uses

- ① Farallon Vista Affordable Housing Site
- ② Etheldore Site East of Half Moon Bay Airport
- ③ Agricultural Site West of Half Moon Bay Airport
- ④ Agricultural Site Near Pillar Point Harbor
- ⑤ El Granada School Site
- ⑥ North El Granada Affordable Housing Site
- ⑦ El Granada COSC Site
- ⑧ Mirada Surf West Site
- ⑨ Mirada Surf East Site

## Existing Commercial and Industrial Zoned Areas for Fiscally Positive Land Uses

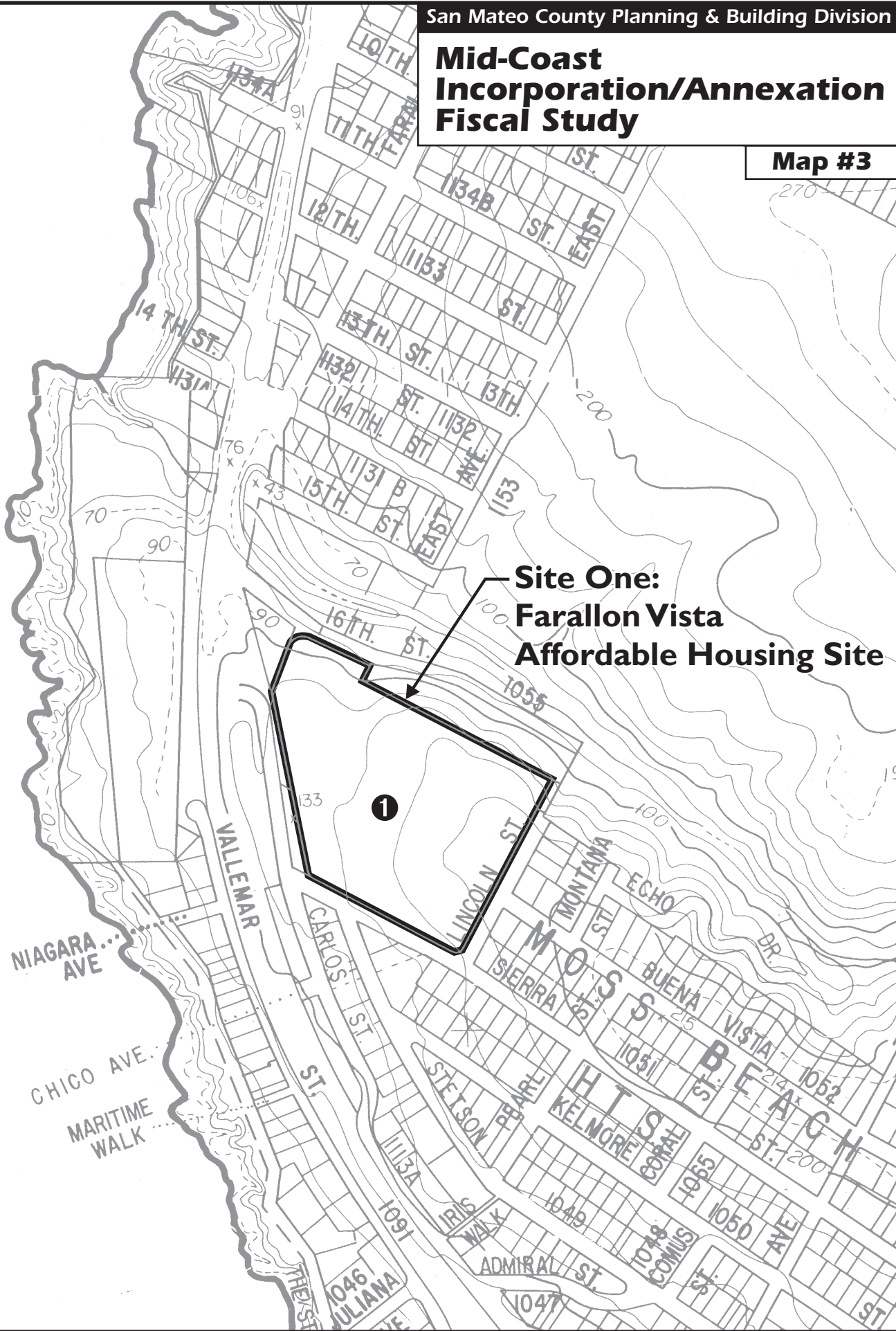
- C-1 Neighborhood Commercial<sup>1</sup>
- CCR Coastside Commercial Recreation
- M-1 Light Industrial<sup>2</sup>
- W Waterfront
- AO Airport Overlay<sup>3</sup>
- Urban-Rural Boundary

1. Includes PUDs 120 and 121 which allow neighborhood commercial development.  
 2. Excludes Half Moon Bay Airport, except where new non-airport development may occur.  
 3. Excludes residential area north of Half Moon Bay Airport.



# Mid-Coast Incorporation/Annexation Fiscal Study

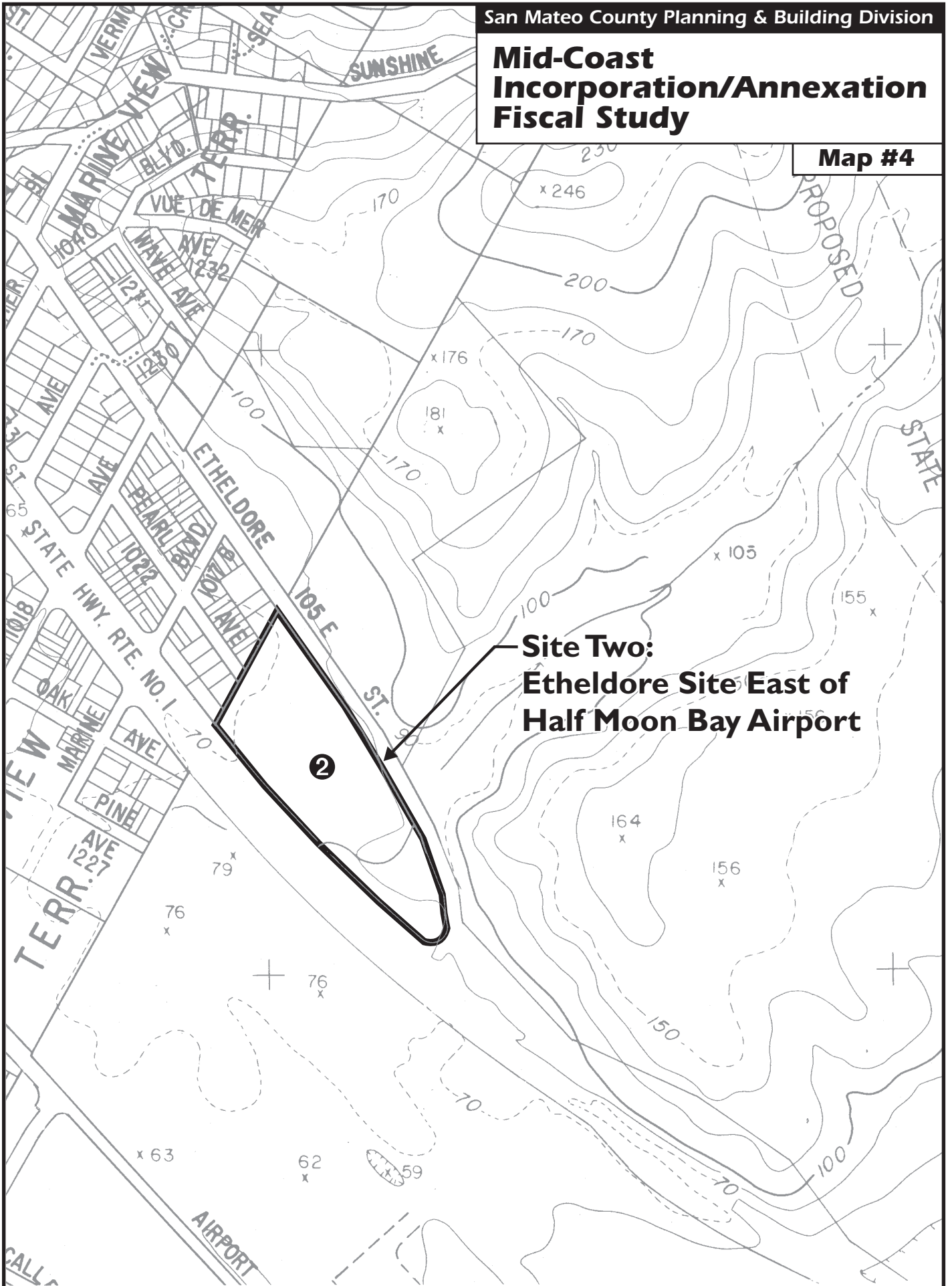
Map #3





# Mid-Coast Incorporation/Annexation Fiscal Study

Map #4

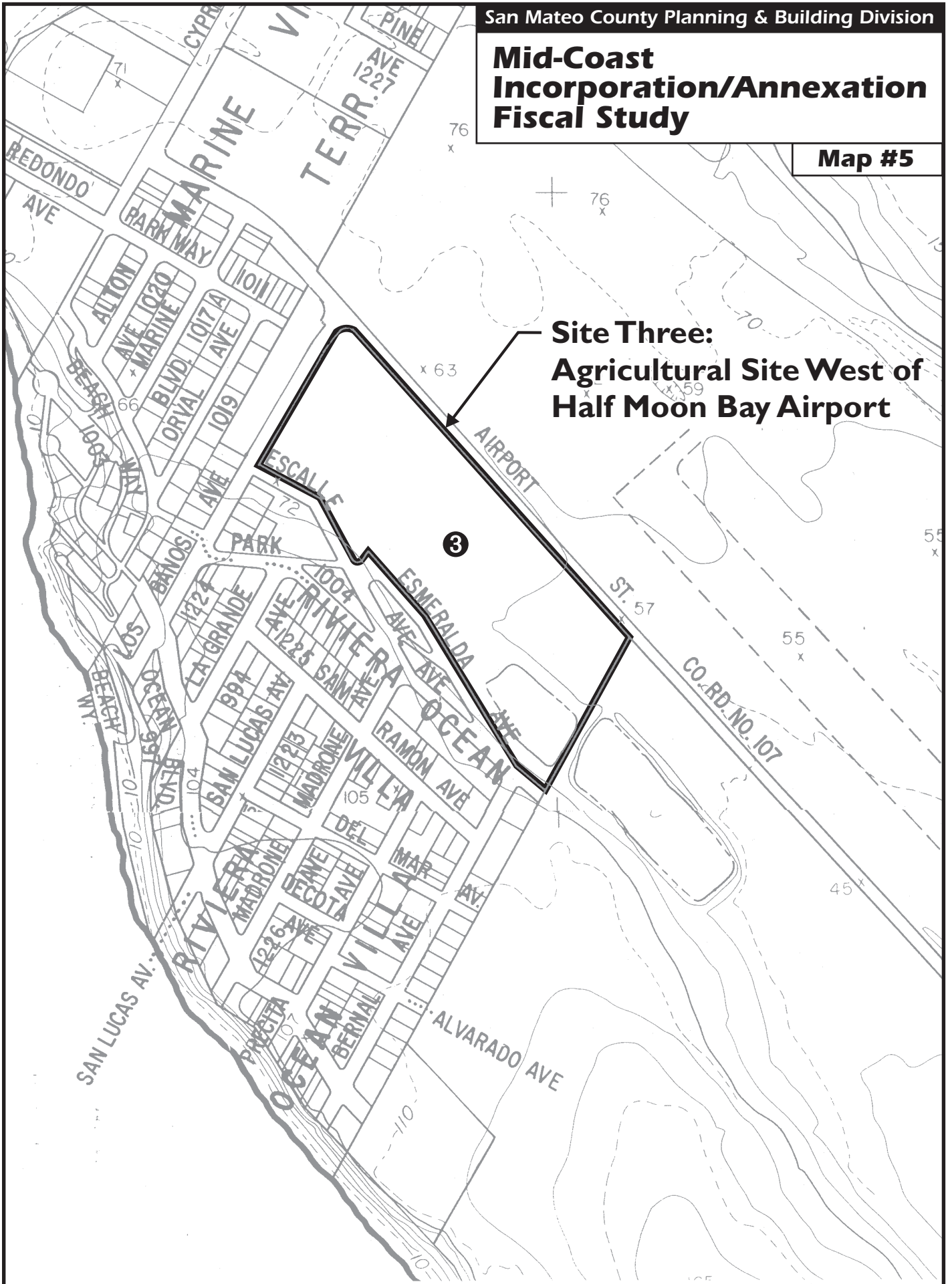


**Site Two:  
Etheldore Site East of  
Half Moon Bay Airport**

# Mid-Coast Incorporation/Annexation Fiscal Study

Map #5

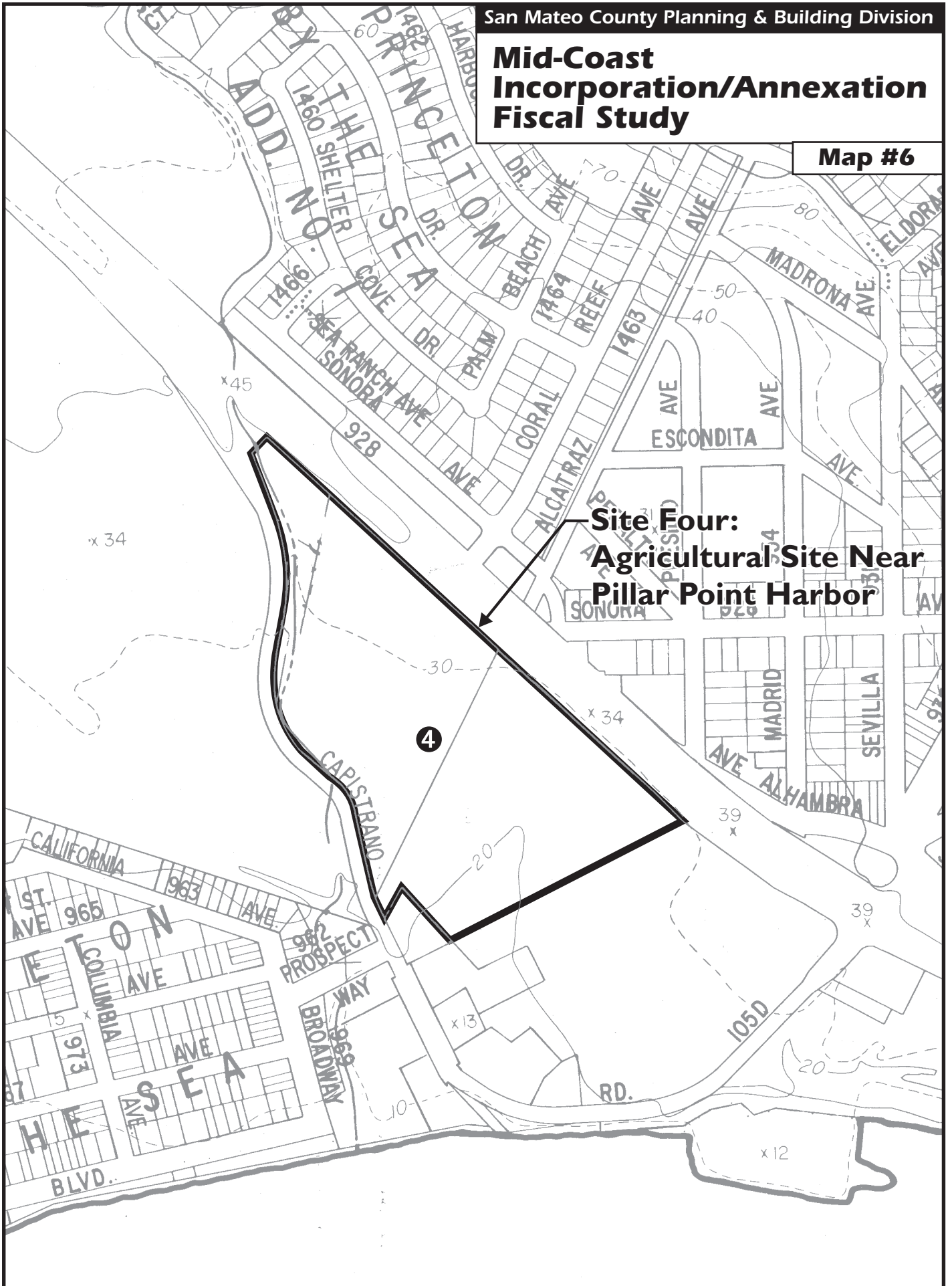
**Site Three:  
Agricultural Site West of  
Half Moon Bay Airport**



# Mid-Coast Incorporation/Annexation Fiscal Study

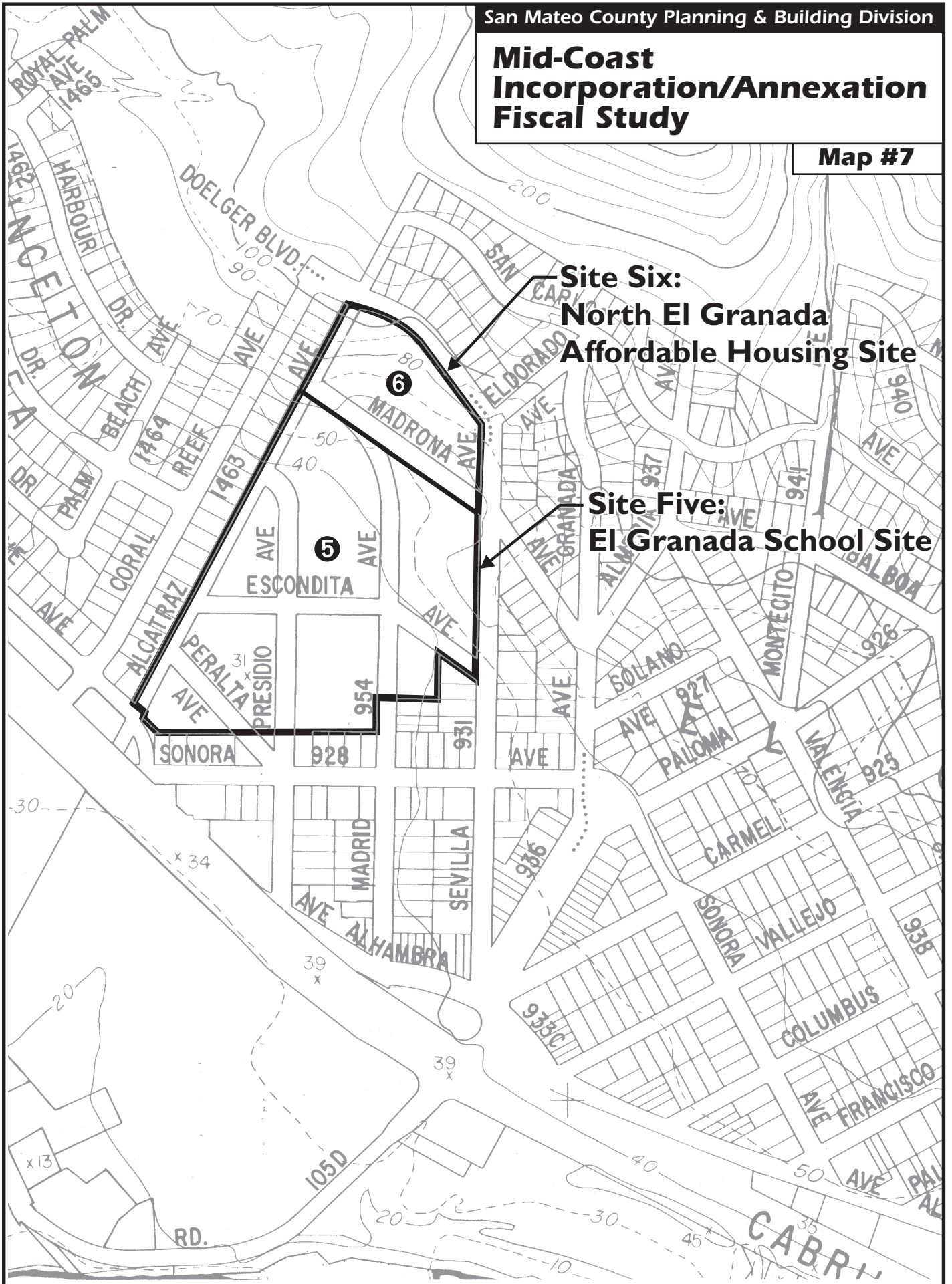
Map #6

**Site Four:  
Agricultural Site Near  
Pillar Point Harbor**



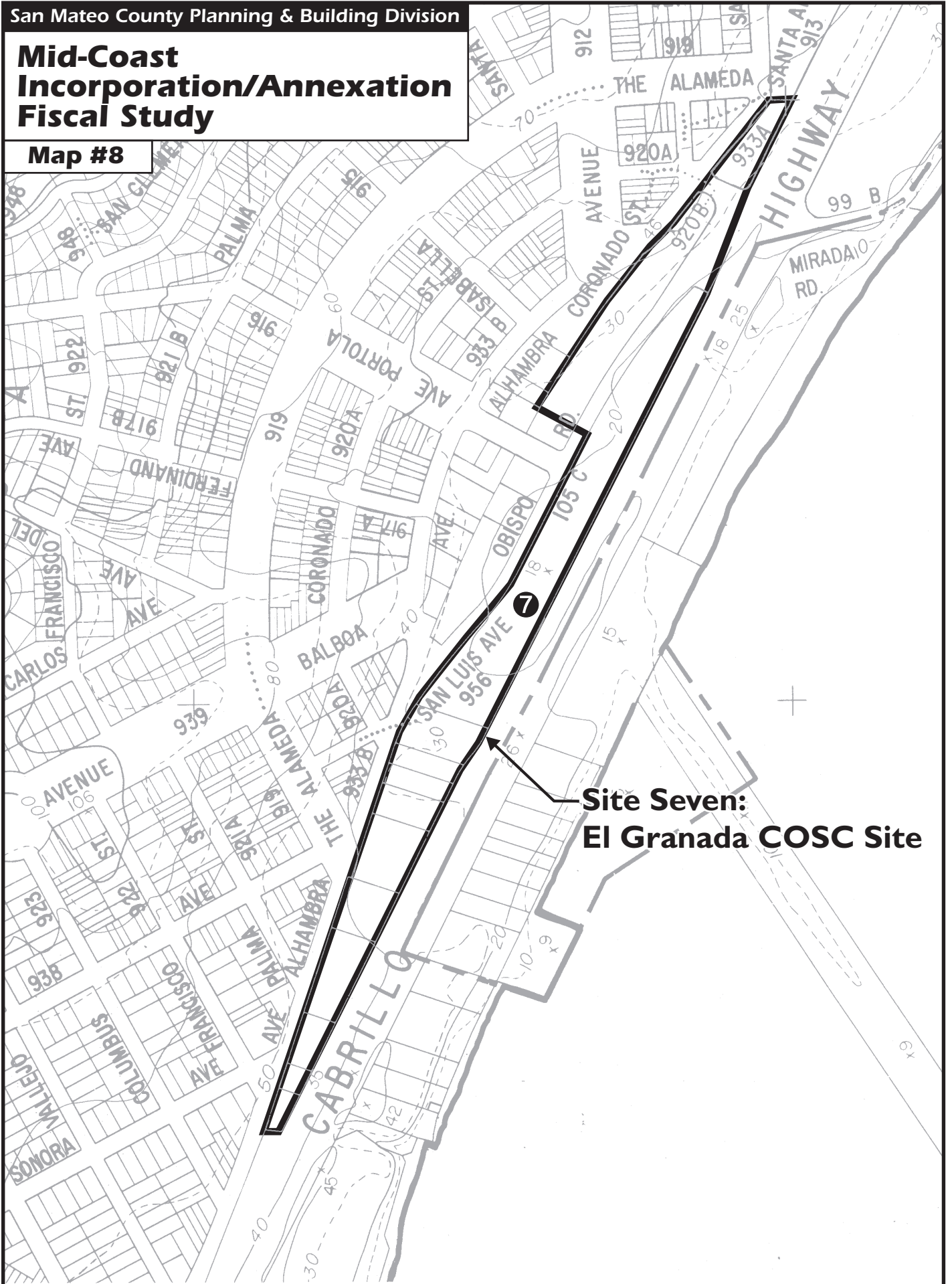
# Mid-Coast Incorporation/Annexation Fiscal Study

Map #7



# Mid-Coast Incorporation/Annexation Fiscal Study

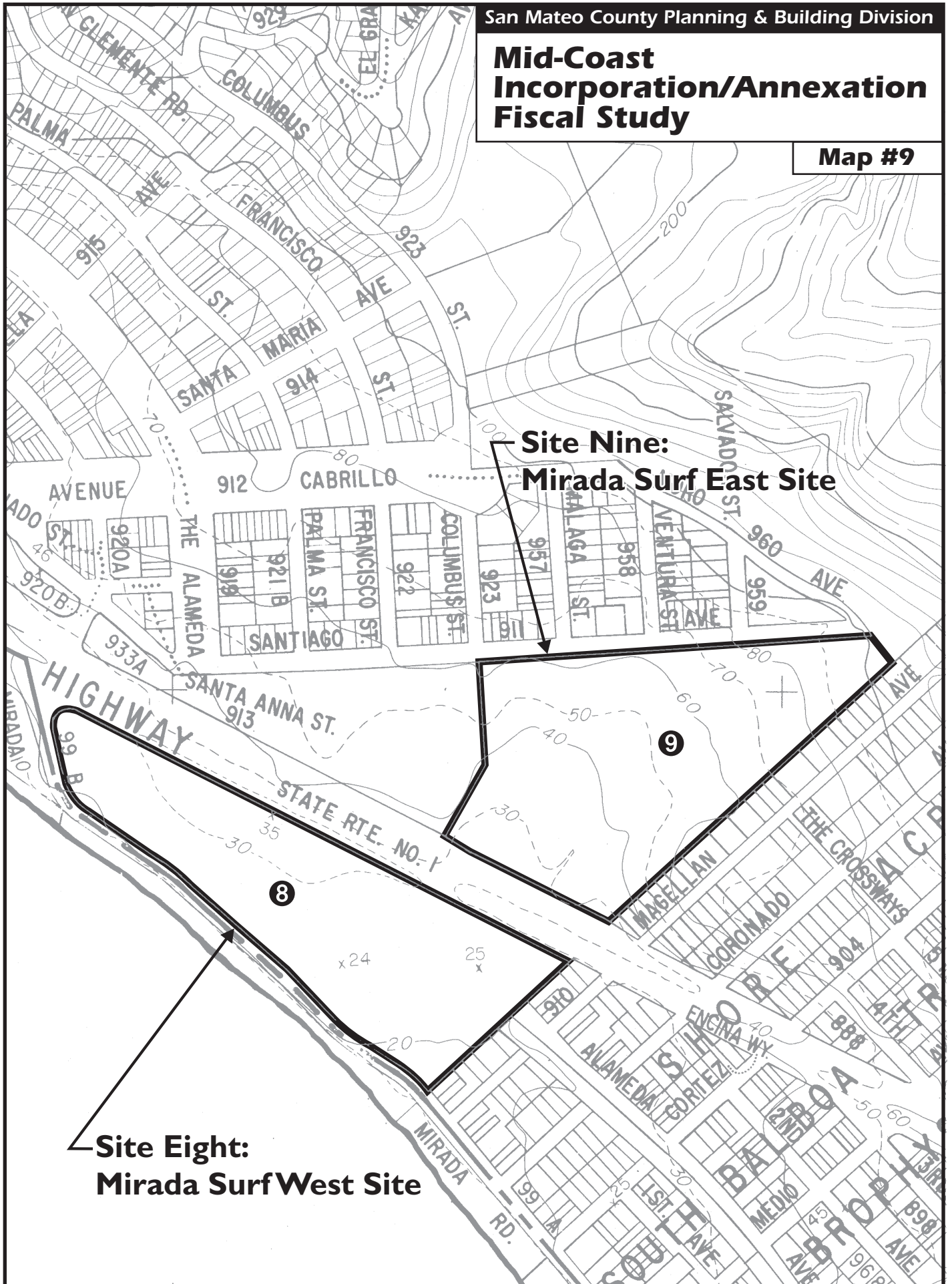
Map #8



**Site Seven:  
El Granada COSC Site**

# Mid-Coast Incorporation/Annexation Fiscal Study

Map #9



**Site Nine:  
Mirada Surf East Site**

**Site Eight:  
Mirada Surf West Site**

# Tables

**MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY**

**Table 1  
Summary of General Fund Revenues and Expenses (1)**

<b>Item</b>	<b>Incorporation</b>	<b>Annexation</b>	<b>Source</b>
<b>General Fund Revenues</b>			
Property Tax (2)	\$346,798	\$311,048	San Mateo County Controller; San Mateo County Assessor; LAFCo.
Sales Tax	\$260,100	\$260,100	State Board of Equalization, 11/5/97.
Real Property Transfer Tax	\$41,735	\$41,735	Half Moon Bay Budget 97/98; County Assessor; LAFCo.
Transient Occupancy Tax	\$212,400	\$212,400	Half Moon Bay Coastside Chamber of Commerce; SMC Planning and Building Division.
Business License Tax	\$82,490	\$82,490	Half Moon Bay Budget 96/97.
Franchise Fees (Utility, Cable, Garbage)	\$183,854	\$183,854	Half Moon Bay Budget 97/98.
Planning and Building Fees	\$412,000	\$211,987	SMC Planning and Building Division; HMB Budget 97/98; HMB Planning Dept..
Parks and Recreation Fees	\$0	\$278,743	Midcoast Community Council; Half Moon Bay Budget 96/97.
Police Fees, Fines and Penalties	\$66,778	\$66,778	Half Moon Bay Budget 96/97.
State Motor Vehicle in-lieu	\$816,011	\$477,157	State Controller; County Clerk.
Investment Earnings (3)	\$18,092	\$19,560	
<b>Total General Fund Revenues</b>	<b>\$2,440,258</b>	<b>\$2,145,853</b>	
<b>General Fund Expenses</b>			
General Government	\$580,500	\$367,950	Half Moon Bay City Manger's Office; Half Moon Bay Budget 96/97.
City Attorney	\$70,000	\$35,000	Half Moon Bay Budget 96/97.
Police	\$1,714,239	\$1,707,164	San Mateo County Sheriff; Half Moon Bay Police 1/15/98.
Animal Control	\$19,000	\$19,000	Half Moon Bay Budget 96/97.
Public Works	\$108,800	\$460,550	Half Moon Bay Budget 96/97; County of San Mateo.
Planning and Building	\$522,864	\$335,541	Half Moon Budget 96/97; San Mateo County Planning and Building Division.
Parks and Recreation	\$0	\$334,800	Midcoast Community Council; Half Moon Bay Budget 96/97.
Reserve Contribution (4)	\$301,540	\$326,001	
<b>Total General Fund Expenses</b>	<b>\$3,316,943</b>	<b>\$3,586,006</b>	
<b>General Fund Operating Surplus (Deficit)</b>	<b>(\$876,686)</b>	<b>(\$1,440,153)</b>	

Notes:



## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 2**  
**Summary of Road Fund and County Service Area Revenues and Expenses**

Item	Incorporation	Annexation
<b>Road Fund</b>		
<b>Road Fund Revenues</b>		
Gas Taxes	\$356,053	\$236,075
Measure A Funds	\$146,477	\$146,477
<b>Total Road Fund Revenues</b>	<b>\$502,530</b>	<b>\$382,552</b>
<b>Road Fund Expenses</b>		
Road Maintenance	\$502,530	\$382,552
<b>Road Fund Operating Surplus (Deficit)</b>	<b>\$0</b>	<b>\$0</b>
<b>County Service Area</b>		
CSA Revenue	\$26,456	\$26,456
CSA Expenditures	\$18,416	\$18,416
<b>CSA Operating Surplus (Deficit)</b>	<b>\$8,040</b>	<b>\$8,040</b>
Fund Balance Transferred (1)	\$155,754	\$155,754
<b>Total Fund Balance</b>	<b>\$163,794</b>	<b>\$163,794</b>

Notes:

- (1) State law requires that upon inclusion within a city, territory must be detached from any county service area and all revenues, unencumbered funds and indebtedness must be transferred to the newly incorporated area based on assessed valuation.

Source: San Mateo County Department of Public Works; State Controller.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 3**  
**Residents and Employees**

---

<b>Half Moon Bay</b>	<b>1995</b>	<b>1997 (1)</b>	<b>2000</b>
Residents	10,200	11,160	12,600
Employees	2,820	2,884	2,980

<b>Unincorporated Midcoast</b>	<b>1995</b>	<b>1997 (1)</b>	<b>2000</b>
Residents	11,700	12,020	12,500
Employees	1,490	1,586	1,730

---

Notes:

(1) Data for 1997 are derived by interpolating ABAG data for 1995 and 2000.

Source: ABAG Projections '98.

**MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY**

**Table 4  
Property Tax**

**Incorporation Scenario**

San Mateo County Total Property Tax Revenues	\$81,746,879
San Mateo County General Purpose Revenue	\$142,980,261
Ratio of Property Tax to General Purpose Revenue (1)	0.5717

<u>Net Cost of Providing Services, 1996-97</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Net Cost</u>
Sheriff	\$1,551,152	\$632,560	\$918,592
Animal Control	n/a	n/a	\$13,657
Planning and Building	\$522,864	\$412,000	\$110,864
Public Works	n/a	n/a	<u>n/a</u>
Total Net Cost of Providing Services			\$1,043,113
Auditor's Ratio			0.5717
Pre-ERAF City Tax Revenue			\$596,385
ERAF Contribution (2)			\$249,587
<b>Net Property Tax Transfer</b>			<b>\$346,798</b>

**Annexation Scenario**

	1993	1994	1995	1996	1997
Midcoast Assessed Value (3)	\$680,824,075	\$688,925,881	\$702,704,399	\$739,947,732	\$779,164,962
Increase from Previous Year (4)		1.19%	2.00%	5.30%	5.30%
Total 1% Property Tax from Midcoast	\$7,791,650				
City Property Tax Share at 6.87 Percent (5)	\$534,907				
ERAF Contribution (2)	\$223,858				
<b>Net Property Tax Transfer</b>	<b>\$311,048</b>				

Notes:

- (1) Also known as the Auditor's Ratio.
- (2) Assumes ERAF contribution of 0.4185, based on existing County ERAF contribution.
- (3) 1993 assessed value estimate taken from 1994 Midcoast Community Services District Proposal, LAFCo.
- (4) Annual percentage increases in County's assessed value.
- (5) Actual tax increment will be negotiated between city and county. Assumed tax increment based on TRA 17001, which is the TRA with the highest existing tax increment in the City of Half Moon Bay.

Source: San Mateo County Controller; San Mateo County Assessor; LAFCo.

**MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY**

**Table 5**  
**Sales Tax**

---

**Incorporation and Annexation Scenarios**

Midcoast Sales Tax (1)	\$260,100
------------------------	-----------

---

Notes:

(1) Based on taxable sales during twelve month period ending 6/30/97. Sales tax for businesses open for portion of period adjusted to reflect tax expected for entire year's activity.

Source: State Board of Equalization.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 6**  
**Real Property Transfer Tax**

---

### **Incorporation and Annexation Scenarios**

Half Moon Bay Assessed Value, 1997-98	\$933,461,291
Half Moon Bay Real Property Transfer Tax, 1997-98	\$50,000
Half Moon Bay Transfer Tax per \$1,000,000 Assessed Value	\$53.56
Midcoast Assessed Value, 1997 (1)	\$779,164,962
<b>Midcoast Real Property Transfer Tax (2)</b>	<b>\$41,735</b>

---

Notes:

- (1) Estimate based on 1994 LAFCo proposal for Midcoast Community Services District.
- (2) Assumes Midcoast has same property turnover rate and property transfer tax rate as Half Moon Bay.

Source: County Assessor; LAFCo; Half Moon Bay Budget 1997/98.

**MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY**

**Table 7  
Transient Occupancy Tax**

**Incorporation and Annexation Scenarios**

<u>Hotel/Motel/Bed &amp; Breakfast</u>	<u>Location</u>	<u>No. of Rooms</u>	<u>TOT Revenues (1)</u>
Cypress Inn	El Granada	12	\$62,400
Farallone Inn	Montara	9	\$8,900
Goose & Turrets B & B	Montara	5	\$6,600
Harbor House	Princeton	6	\$13,400
Harbor View Inn	El Granada	17	\$33,500
Pacific Victorian B & B	Miramar	4	\$3,200
Pillar Point Inn	Princeton	11	\$27,400
Seal Cove Inn	Moss Beach	10	\$57,000
<b>TOTALS</b>		<b>74</b>	<b>\$212,400</b>

**Pending Projects (Approved but not Built)**

<u>Type</u>	<u>Location</u>	<u>No. of Rooms</u>	<u>Occ. Rate</u>	<u>Avg Room Rate (2)</u>	<u>TOT Rate (3)</u>	<u>TOT Revenues</u>
Hotel	El Granada	84	70%	\$150	10%	\$321,930
Bed & Breakfast	Miramar	8	70%	\$150	10%	\$30,660
Bed & Breakfast	Miramar	3	70%	\$150	10%	\$11,498
<b>TOTALS</b>		<b>95</b>				<b>\$364,088</b>

Notes:

(1) Actual TOT revenues collected during calendar year 1997.

(2) Average room rate based on survey of room rates in existing Midcoast hotels, motels, and bed & breakfasts.

(3) Assumed transfer occupancy tax rate of 10% is the same as the existing Half Moon Bay and San Mateo County TOT rate.

Source: San Mateo County Controller's Office; Half Moon Bay Coastside Chamber of Commerce; phone interviews conducted 3/4/98.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 8**  
**Business License Tax**

---

### **Incorporation and Annexation Scenarios**

Half Moon Bay Business License Tax, 1996-97	\$150,000
Half Moon Bay Employees, 1997	2,884
Business License Tax per Employee	\$52.01
Midcoast Employees, 1997	1,586
<b>Midcoast Business License Tax (1)</b>	<b>\$82,490</b>

---

Notes:

(1) Assumes same average Business License Tax per employee as Half Moon Bay.

Source: Half Moon Bay Budget 1996/97; ABAG Projections '98.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 9**  
**Franchise Fees**

---

### **Incorporation and Annexation Scenarios**

Half Moon Bay Franchise Fees, 1996-97 (1)	\$170,700
Half Moon Bay Residents, 1997	11,160
Half Moon Bay Franchise Fees per Resident	\$15.30
Midcoast Residents, 1997	12,020
<b>Midcoast Franchise Fees (2)</b>	<b>\$183,854</b>

---

Notes:

(1) Includes gas & electric and cable TV franchise fees only.

(2) Assumes same franchise fees per resident as Half Moon Bay.

Source: Half Moon Bay Budget, 1996/97; ABAG Projections '98.



## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 10**  
**Planning and Building Fees**

---

<b>Incorporation Scenario</b>	
<b>Fee Revenues from Midcoast</b>	<b>\$412,000</b>
<b>Annexation Scenario</b>	
Half Moon Bay Zoning and Subdivision Fee Revenues	\$60,000
Half Moon Bay Coastal Development Permits (CDP), 1997	32
Half Moon Bay Fees per Coastal Development Permit	\$1,875
Midcoast Coastal Development Permits, 1997	47
Midcoast Planning Fees (1)	\$88,125
Half Moon Bay Building Permit Fee Revenues	\$115,000
Half Moon Bay Residents, 1997	11,160
Half Moon Bay Building Permit Fees per Resident	\$10.30
Midcoast Residents, 1997	12,020
Midcoast Building Permit Fees (2)	\$123,862
<b>Total Midcoast Planning and Building Fees</b>	<b>\$211,987</b>

---

Notes:

(1) Assumes same planning fees per CDP as Half Moon Bay, and same planning activity as in 1997.

(2) Assumes same building permit fees per resident as Half Moon Bay.

Source: Half Moon Bay Budget, 1996/97; Half Moon Bay Planning Department;  
San Mateo County Planning and Building Division.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 11**  
**Parks and Recreation Fees**

---

### **Incorporation Scenario**

Assumes no parks and recreation services will be provided by new city.

### **Annexation Scenario**

Half Moon Bay Fee Revenues (1)	\$258,800
Half Moon Bay Residents, 1997	11,160
Fees per Resident	\$23.19
Midcoast Residents, 1997	12,020
<b>Midcoast Parks and Recreation Fees (2)</b>	<b>\$278,743</b>

---

Notes:

- (1) Includes fees from parks, recreation and community center.
- (2) Assumes same parks and recreation fees per capita as Half Moon Bay.

Source: Half Moon Bay Budget 1996/97; ABAG Projections '98.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 12**  
**Police Fees, Fines and Penalties**

---

<b>Incorporation and Annexation Scenarios</b>	
Half Moon Bay Police Fees, Fines and Penalties	\$62,000
Half Moon Bay Residents, 1997	11,160
Half Moon Bay Fees, Fines and Penalties per Resident	\$5.56
Midcoast Residents, 1997	12,020
<b>Midcoast Police Fees, Fines and Penalties</b>	<b>\$66,778</b>

---

Source: Half Moon Bay Budget 1996/97; ABAG Projections '98.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 13**  
**State Motor Vehicle In-lieu Fee**

---

### **Incorporation Scenario**

Revenue Per Capita	\$39.70
Midcoast Registered Voters	6,852
Registered Voters x 3	20,556
<b>State Motor Vehicle In-lieu Revenue (1)</b>	<b>\$816,011</b>

### **Annexation Scenario**

Revenue Per Capita	\$39.70
Midcoast Population	12,020
<b>State Motor Vehicle In-lieu Revenue</b>	<b>\$477,157</b>

---

Notes:

(1) For the first seven years of incorporation, state subventions are distributed on a per capita basis with population determined at three times the registered voter count. After this time, MVIL revenues will be closer to those calculated above for the Annexation Scenario.

Source: State Controller; County Clerk.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 14**  
**General Government Expenses**

<b>Incorporation Scenario</b>		
<u>Staffing Levels (1)</u>	<u>No. of Staff</u>	<u>Cost (2)</u>
City Manager	1	\$110,000
Finance Director	1	\$75,000
City Clerk	1	\$55,000
Accounting Technician	1	\$35,000
<u>Secretary</u>	<u>1</u>	<u>\$35,000</u>
Total Staffing Costs	5	\$310,000
Midcoast Overhead Costs (3)		\$270,500
<b>Total Midcoast General Government Costs</b>		<b>\$580,500</b>
<b>Annexation Scenario</b>		
<u>Staffing Levels (4)</u>	<u>No. of Staff</u>	<u>Cost (2)</u>
Accounting Technician	1	\$35,000
Administrative Clerk	2	\$60,000
<u>Secretary</u>	<u>2</u>	<u>\$70,000</u>
Total Staffing Costs	5	\$165,000
Midcoast Overhead Costs		\$202,950
<b>Total Midcoast General Government Costs</b>		<b>\$367,950</b>

Notes:

- (1) Assumes minimum necessary staffing levels for a contract city.
- (2) Staff costs based on existing Half Moon Bay salary levels and include benefits at a rate of 29 percent of salaries.
- (3) Overhead costs include office rent for all city departments, insurance, miscellaneous contract fees, and office supplies.
- (4) Based on City of Half Moon Bay recommendations.

Source: Half Moon Bay Budget 96/97; Half Moon Bay City Manager's Office.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 15**  
**City Attorney Expenses**

---

### **Incorporation Scenario**

City Attorney (1)	\$70,000
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### **Annexation Scenario**

City Attorney (2)	\$35,000
-------------------	----------

---

Notes:

(1) Assumes similar legal needs as the City of Half Moon Bay.

(2) Assumes 50 percent increase in the cost of Half Moon Bay City Attorney services.

Source: Half Moon Bay Budget 96/97.

# MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 16**  
**Police Expenses**

---

## **Incorporation Scenario (1)**

### Midcoast Staff at San Mateo County Sheriff Service Standards and Unit Costs

Sworn Officers	15.5
Midcoast Residents	12,020
Sworn Officers per 1,000 Residents	1.29
<b>Total Midcoast Police Costs (2)</b>	<b>\$1,714,239</b>

## **Annexation Scenario (3)**

### Midcoast Staff at Half Moon Bay Police Service Standards and Unit Costs

Sworn Officers	17.0
Midcoast Residents	12,020
Sworn Officers per 1,000 Residents	1.41
<b>Total Midcoast Police Costs (4)</b>	<b>\$1,707,164</b>

---

Notes:

(1) Staffing level for Midcoast area as recommended by San Mateo County Sheriff's Department for a "Basic Level of Service" similar to that currently provided in the Midcoast.

(2) Includes all staff and overhead costs. Also includes \$32,500 in office space costs.

(3) Staffing level for Midcoast area as recommended by Half Moon Bay Police Department. Assumes similar levels of service as currently provided in Half Moon Bay.

(4) Includes all staff and overhead costs. Does not include office space costs.

Source: San Mateo County Sheriff's Department, Police Services for New Mid-Coast City; Half Moon Bay Police Department, letter dated 1/15/98.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 17**  
**Animal Control Expenses**

---

### **Incorporation Scenario**

Animal Control Expenses	\$19,000
-------------------------	----------

### **Annexation Scenario**

Animal Control Expenses	\$19,000
-------------------------	----------

---

Source: Half Moon Bay Budget 96/97.



## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 18**  
**Public Works Expenses**

---

<b>Incorporation Scenario</b>		
	<u>No. of Staff</u>	<u>Cost (1)</u>
<u>Public Works Director</u>	<u>1</u>	<u>\$85,000</u>
Total Staffing Costs	1	\$85,000
Midcoast Overhead Costs (2)		\$23,800
<b>Total Midcoast Public Works Costs</b>		<b>\$108,800</b>

<b>Annexation Scenario</b>		
	<u>No. of Staff</u>	<u>Cost (1)</u>
Associate Engineer	1	\$60,000
Inspector	0.5	\$25,000
Maintenance Supervisor	1	\$45,000
Maintenance Worker	4	\$140,000
<u>Secretary</u>	<u>1</u>	<u>\$35,000</u>
Total Staffing Costs	7.5	\$305,000
Midcoast Overhead Costs (2)		\$155,550
<b>Total Midcoast Public Works Costs</b>		<b>\$460,550</b>

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Notes:

- (1) Staff costs based on existing Half Moon Bay salaries and include benefits at a rate of 26 percent of salary.
- (2) Overhead costs based on existing Half Moon Bay overhead to staff expense ratios.

Source: Half Moon Bay Budget 96/97 and correspondence; County of San Mateo.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 19**  
**Planning and Building Expenses**

### **Incorporation Scenario**

#### Midcoast Planning and Building Costs at San Mateo County Service Standards

Total Current Planning Salaries & Benefits	\$707,238
Percent of Current Planning Resources Attributable to Midcoast (1)	0.274
Midcoast Current Planning Salary and Benefits Costs	\$193,783
Total Building Inspection Salaries & Benefits	\$843,875
Percent of Total County Building Permits in Midcoast	0.194
Midcoast Building Inspection Salary & Benefits Costs	\$163,712
Midcoast Long Range Planning Salary & Benefits Costs (2)	\$58,286
Midcoast Support Staff Salary & Benefits Costs (3)	\$59,550
Total Midcoast Planning and Building Staff Salary & Benefits Costs	\$475,331
<u>Midcoast Overhead Costs (4)</u>	<u>\$47,533</u>
<b>Total Midcoast Planning and Building Costs</b>	<b>\$522,864</b>

<u>Approximate Staffing Levels</u>	<u>No. of Staff</u>	<u>Cost (5)</u>
Planning Administrator	1	\$106,022
Planner II	2.5	\$145,715
Building Inspector	2.5	\$163,150
<u>Office Assistant</u>	<u>1.5</u>	<u>\$54,656</u>
Total Staffing Costs	7.5	\$469,543

Notes:

- (1) San Mateo County Planning and Building Division estimate based on analysis of current planning staff workload for 1997.
- (2) Assumes one Planner II for long range planning services.
- (3) Total Planning and Building Division support staff costs of \$433,731 multiplied by percent of Midcoast professional staff costs out of total professional staff costs (13.7%).
- (4) Assumes overhead costs of 10 percent of salaries and benefits, based on San Mateo County budget.
- (5) Staff costs based on existing San Mateo County levels and include benefits at a rate of 33 percent of salaries.

Source: San Mateo County Planning and Building Division.

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**MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY**

**Table 20  
Planning and Building Expenses**

<b>Annexation Scenario</b>			
<u>Existing Half Moon Bay Staff</u>			
Planners (1)		1.7	
Building Inspectors		1.5	
Secretaries		1	
<u>Existing Half Moon Bay Overhead Costs</u>			
Overhead Costs		\$77,100	
<u>Existing Half Moon Bay Population and Building Activity</u>			
Half Moon Bay Residents, 1997		11,160	
Coastal Development Permits, 1997		32	
<u>Existing Half Moon Bay Service Standards</u>			
Coastal Development Permits per Planner		19	
Building Inspectors per 1,000 Residents		0.13	
Professional Staff per Secretary		3.2	
Overhead costs per 1,000 Residents		\$6,909	
<u>Existing Midcoast Population and Planning Activity</u>			
Midcoast Residents, 1997		12,020	
Coastal Development Permits, 1997		47	
<u>Midcoast Staff at Half Moon Bay Service Standards (2)</u>	<u>No. of Staff</u>	<u>Rounded</u>	<u>Cost</u>
Planners (3)	2.50	2.5	\$125,000
Building Inspectors	1.62	1.5	\$75,000
Secretaries	1.29	1.5	\$52,500
Total Staffing Costs		5.5	\$252,500
Midcoast Overhead Costs (4)			\$83,041
<b>Total Midcoast Planning and Building Costs</b>			<b>\$335,541</b>

Notes:

- (1) Includes one Planning Director and 0.70 Associate Planners.
  - (2) Required planners calculated on per Coastal Development Permit basis. Required Building Inspectors calculated on per capita basis.
  - (3) Assumes two and a half Associate Planners at \$50,000.
- Salaries based on existing Half Moon Bay levels and include benefits at a rate of 26 percent of salary.
- (4) Overhead costs exclude office space costs.

Source: Half Moon Bay Budget 96/97; Half Moon Bay Planning Department; San Mateo County Planning and Building Division.

## MIDCOAST INCORPORATION/ANNEXATION FISCAL STUDY

**Table 21**  
**Parks and Recreation Expenses**

### Annexation Scenario

<u>Existing Half Moon Bay Staff</u>	<u>No. of Staff</u>	
Parks and Recreation Staff (1)	2.0	
Park Planners	0.3	
Maintenance Workers	2.0	
Secretaries	1.0	
<u>Midcoast Staff at Half Moon Bay Standards (2)</u>	<u>No. of Staff</u>	<u>Cost</u>
Parks and Recreation Staff (3)	2.0	\$80,000
Park Planners	0.3	\$16,000
Maintenance Workers	2.0	\$75,000
Secretaries	1.0	\$35,000
Total Staffing Costs		\$206,000
Midcoast Overhead Costs (4)		\$128,800
<b>Total Midcoast Parks and Recreation Costs</b>		<b>\$334,800</b>

Notes:

- (1) Includes one Parks and Recreation Director and one Parks and Recreation Supervisor.
  - (2) Assumes same staffing and operating expense requirements as Half Moon Bay.
  - (3) Assumes two Parks Supervisors at a salary of \$40,000.
- Salaries based on existing Half Moon Bay levels and include benefits at a rate of 26 percent of salary.
- (4) Overhead costs based on existing Half Moon Bay overhead costs, and exclude office space costs.

Source: Half Moon Bay Budget 96/97.

# Appendices

The following summarizes annexation and incorporation procedures and estimated costs associated with the LAFCo application process, environmental review and fiscal analysis. Proponents preparing to formally apply for annexation or incorporation are encouraged to obtain quotes from environmental and fiscal consultants prior to beginning the process.

### **Initiation of Annexation Proceedings**

Proceedings for annexation to a city may be initiated by petition or resolution of any governing body of any affected county, city or district (56650).

#### 1. Initiation by Petition

##### A. A petition of application shall do all of the following (56700):

- (1) State that the proposal is made pursuant to this part;
- (2) State the nature of the proposal and list all proposed changes of organization;
- (3) Set forth a description of the boundaries of the affected territory accompanied by a map showing the boundaries;
- (4) Set for any proposed terms and conditions;
- (5) State the reasons for the proposal;
- (6) State whether the petition is signed by registered voters or owners of land;
- (7) Designate not to exceed three persons as chief petitioners, setting forth their names and mailing addresses;
- (8) State whether the proposal is consistent with the spheres of influence of any affected city or district.

##### B. Signature Requirements

- (1) A petition for annexation to a city shall be signed by either of the following (56753):
  - (a) Not less than 5% of the number of registered voters residing within the territory proposed to be annexed; or
  - (b) Not less than 5% of the number of owners of land within the territory proposed to be annexed who also own 5% of the assessed value of land within the territory as shown on the last equalized roll.

2. Initiation by Resolution

An adopted resolution of application by the legislative body of any affected county, city, or district shall contain all the matters required in the petition except for signers and signatures (56800).

**Commission Proceedings**

San Mateo LAFCo may approve, modify, or deny the proposal. If it is approved, the Commission may also adopt terms and conditions for the annexation. The proposal is then sent to the conducting authority where no further modifications may be made. The conducting authority for a city annexation is the affected city (56029).

**Conducting Authority Proceedings - Inhabited Territory (12 or more registered voters)**

1. Within 35 days following the adoption of the Commission's resolution making determinations, the clerk of the conducting authority shall set the proposal for hearing and give notice of the hearing. The hearing shall not be less than 15 or more than 60 days after the notice is given (57002).
2. The conducting authority shall hold a hearing to receive any oral or written protests (57050).
3. Following the hearing, the city must do one of the following:
  - (a) Order the territory annexed without an election when protests are less than 25% of registered voters in the territory and less than 25% of the landowners owning less than 25% of the assessed value of land (57075).
  - (b) Call an election on the question of an inhabited annexation when 25% or more (but less than 50%) of the voters or landowners protest (57075).
  - (c) When 50% or more of the registered voters of an inhabited area proposed for annexation protest in writing, the proceedings are terminated (57078).
4. Special provisions for city annexations:

In the case of an inhabited annexation to a city, the Commission shall require that an election be held in both the annexation area and the city when the assessed value of land within the annexation area equals half or more of that within the city, or the number of registered voters within the annexation area equals one-half or more of that within the city.

### **Initiation of City Incorporation Proceedings**

By definition, incorporation means the formation of a city with corporate powers. Any area proposed for incorporation as a new city shall have at least 500 registered voters within the affected area at the time the proceedings are initiated with LAFCo (56043).

Incorporation proceedings may be initiated either by resolution of an affected agency or by petition. A petition must be signed by not less than 25% of the registered voters residing in the area to be incorporated, or by not less than 25% of the land owners who also own not less than 25% of the assessed value of land within the territory to be incorporated.

### **Application**

1. An application for incorporation must be accompanied by a feasibility study. This study is to be provided in addition to all other information listed in the general application outlined under annexation application. An incorporation feasibility study should include the following:
  - A. A brief discussion of the relevant history and characteristics of the study area;
  - B. A description of the local agencies which presently serve the community, with discussion of the range and level of services currently provided;
  - C. A rationale for the boundaries proposed for incorporation, and a description of boundary alternatives;
  - D. At a minimum, a forecast of revenues including estimates of property tax distribution and expenditures for the new city during the first three fiscal years following incorporation;
  - E. The effects on the costs and revenues of any affected local agency during the three fiscal years following incorporation;
  - F. A discussion of the negative fiscal impacts of the incorporation on affected local agencies and measures proposed to mitigate the negative impacts;
  - G. A discussion of the range and level of services potentially available to the community after incorporation; and
  - H. A discussion of the effects of the incorporation upon adjacent communities, special districts and the county.
2. Other elements may be necessary (for example, a discussion of commercial/industrial land use potential), based on the community in question.
3. Five copies of the draft version of the feasibility study should be submitted to the LAFCo office as soon as they are available. Upon formal initiation of the proposal, additional copies of the final version of the report will be required.



### **Review of Comprehensive Fiscal Analysis**

When an application has been submitted to San Mateo LAFCo, the Executive Officer will review the feasibility study, and determine if it contains all elements of a comprehensive fiscal analysis as required by Section 56833.1. The Executive Officer may certify the feasibility study as the comprehensive fiscal analysis that is required to be released for public review. During a review period, any interested person may request the State Controller's Office to review the comprehensive fiscal analysis prior to issuance of the Executive Officer's report and recommendation (56833.1). The party requesting the review will be responsible for the costs associated with the review.

1. The Executive Officer will notify all interested parties that the fiscal analysis is available for public review by publishing notice in a newspaper of general circulation serving the affected territory and by mailing notice to all affected agencies, the chief proponents and all persons who have filed a written request for notification. The notice will specify the locations where the fiscal analysis can be reviewed and the time period in which the Controller's review can be requested. The time period must be at least 30 days, and will begin 15 days after the notice is published.
2. A request for Controller's review shall specify in writing the elements of the fiscal analysis which the Controller is requested to review and the reasons for the request. The request must include a deposit of \$5,000 which will be credited toward the total cost of the Controller's review.
3. After a request for the Controller's review has been submitted to San Mateo LAFCo, the Executive Officer will contract with the Controller for review of the comprehensive fiscal analysis. The contract will specify elements to be reviewed and the estimated cost of review.

### **Revenue Neutrality**

Any proposal that includes an incorporation should result in similar exchange of both revenue and responsibility for service delivery among the county, the proposed city, and any other subject agencies. San Mateo LAFCo may approve a proposal that includes an incorporation if it finds either of the following (56845):

1. The county and all of the subject agencies agree to the proposed transfer; or
2. The negative fiscal effect has been adequately mitigated by tax sharing agreements, lump-sum payments, payments over a fixed period of time, or any other terms and conditions pursuant to Section 56844.

### **Commission Proceedings**

Upon receiving a complete application, the following actions will be taken:

1. San Mateo LAFCo staff conducts an analysis of the proposal.
2. Any interested party may request the State Controller's Office to review the fiscal analysis prior to issuance of the Executive Officer's report and recommendation as outlined above.
3. The Commission conducts a noticed public hearing to review the LAFCo staff analysis and receive oral or written testimony.
4. The Commission then adopts a resolution approving, modifying, or disapproving the proposal (56851).
5. If the incorporation is approved, the Commission determines final boundaries, government structure, the base property tax, the provisional appropriations limit and any terms and conditions of approval.
6. At the time that San Mateo LAFCo approves an incorporation or a reorganization that includes an incorporation, it may also determine the sphere of influence for the proposed city or must do so within one year of incorporation.

If San Mateo LAFCo disapproves a proposal, no new proposal involving the same or substantially the same territory shall be initiated for one year after the date of the Commission's resolution unless the provision is waived by the Commission (56855).

### **Conducting Authority Proceedings**

The County Board of Supervisors is designed as the conducting authority. After a public hearing and a review of written protests, the Board can take one of two actions:

1. Terminate the proceedings if more than 50% of the registered voters within the affected territory protest; or
2. Call an election on the questions of incorporation if protests are received by less than 50% of the registered voters.

## **Election**

An election is held, usually at the next general election. If the majority of votes is cast in favor of incorporation and any tax measures associated with incorporation, the Board of Supervisors as the conducting authority shall pass a resolution confirming the order of incorporation. An incorporation election also provides for the election of city council members and other officers, and on the question of whether the city council in future elections shall be elected by district or at large (57101).

If the proceedings are terminated, either by majority protest or vote, no substantially similar proposal may be filed with the Commission for two years after the date of adoption of the resolution terminating proceedings adopted by the conducting authority (57090).

## **Estimated Cost and Duration of Application Process**

### 1. Costs

There are four basic components in the annexation and incorporation process: (1) LAFCo application fees; (2) Preparation of Comprehensive Fiscal Analysis; (3) Preparation of Environmental Document; and (4) Election. The following estimates are based on the current LAFCo fee schedule and very preliminary discussions with consultants who prepare fiscal and environmental documents.

LAFCo Application Fee	\$ 5,000 to \$ 7,500
Fiscal Analysis	15,000 to 40,000
Environmental Document	20,000 to 45,000
Election	20,000 to 30,000

The estimated costs for the basic steps listed above ranges from \$60,000 to \$121,500. These are estimates. If the application is submitted by petition, costs would also be associated with applicants circulating a petition and annexation would require pre-zoning by the City of Half Moon Bay which would be subject to the City's fees.

### 2. Timing

Time involved with an application for annexation or incorporation could be affected by many variables such as delays in petition circulation, contracting consultants, tax exchange negotiation. It is estimated that including circulation of a petition, selection of consultants, environmental review, LAFCo hearing, conducting authority proceedings and election would take at the minimum 18 months.

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# **Appendix B: Special Districts**

# COASTSIDE COUNTY WATER DISTRICT

766 Main Street  
Half Moon Bay, CA 94019

Contact Person: Robert Rathborne  
General Manager  
726-4405 FAX 726-5245

Date of Formation: July 19, 1947

Enabling Legislation: Section 30000 et seq. State Water Code

Governing Board: Five member board of directors elected to four year terms

a. Membership and Term Expiration Date: Roger S. Goodrich, President (11/99), Major F. Gates, Vice President (11/97), Kenneth L. Coverdell (11/97), Anthony Kash (11/99), Gerald Pera (11/99)

b. Compensation: \$100 per meeting (see detail, page 145)

c. Public Meetings: Second Tuesday of each month at 7:30 pm

766 Main Street, Half Moon Bay

Services Provided: Potable water and water for fire suppression

Area Served: 35 square miles

Estimated Population: 13,500 (as of 1995)

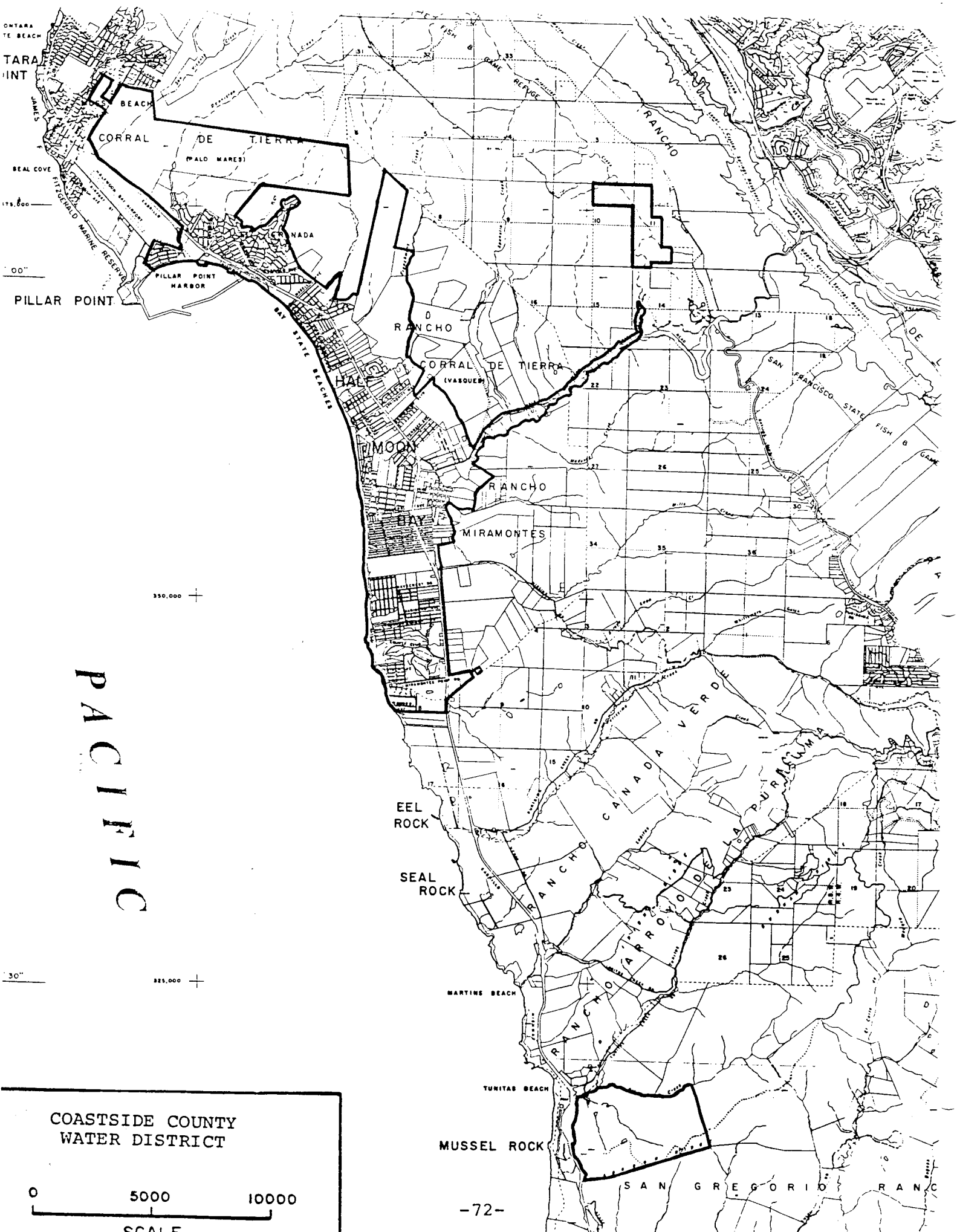
Contractual Arrangements: CCWD contracts with the San Francisco Water Department for wholesale purchase of water.

Number of Personnel: 13 total: 7 Field, 2 Administrative, 4 Clerical

Sphere of Influence: Coterminal with single coastside city sphere of influence plus Highway 92 strip with recommendation that the district be established as a subsidiary of the city.

## Fiscal Data

<u>Revenues</u>	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
Property Tax	\$ 248,322	\$ 243,434	\$ 234,018
Augmentation Fund	-0-	-0-	-0-
Fees for Service	1,895,294	1,947,197	2,182,940
Other Revenues	118,348	144,159	96,000
<b>TOTAL REVENUES</b>	<b>\$2,626,000</b>	<b>\$2,334,790</b>	<b>\$2,512,958</b>
<u>Expenditures</u>			
Personnel Services	\$ 667,442	\$ 756,979	\$ 744,965
Services & Supplies	531,333	692,484	781,887
Fixed Assets	97,357	329,516	502,250
Other Expenditures	348,381	341,852	441,106
<b>TOTAL EXPENDITURES</b>	<b>\$1,644,513</b>	<b>\$2,120,831</b>	<b>\$2,470,208</b>

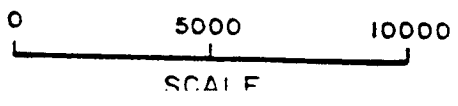


PACIFIC

350,000 +

325,000 +

COASTSIDE COUNTY  
WATER DISTRICT



# HALF MOON BAY FIRE PROTECTION DISTRICT

210 San Mateo Road, Suite 101  
Half Moon Bay, CA 94019

Contact Person: Ronald A. Delgado  
Fire Chief  
726-5213 FAX 726-0132

Date of Formation: January 19, 1965 (reorganized)

Enabling Legislation: Section 13800 et seq. State Health and Safety Code

Governing Board: Five member Board of Directors elected to four-year terms

- a. Membership and Term Expiration Date: Francis J. Navin, President (11/97), Douglas Macintosh (11/99), Gordon McClymont (11/97), Robert Myers, Vice President (11/99), Burt Silva (11/99)
- b. Compensation: \$75 per meeting (see detail, page 145)
- c. Public Meetings: Second Tuesday of each month at 7:30 pm  
Fire District Administrative Office  
210 San Mateo Road, Suite 101, Half Moon Bay

Services Provided: Fire prevention and suppression, response to medical emergencies, public service response, cliff rescues and auto accident response

Area Served: 40 sq. miles

Estimated Population: 20,000 (as of 1993)

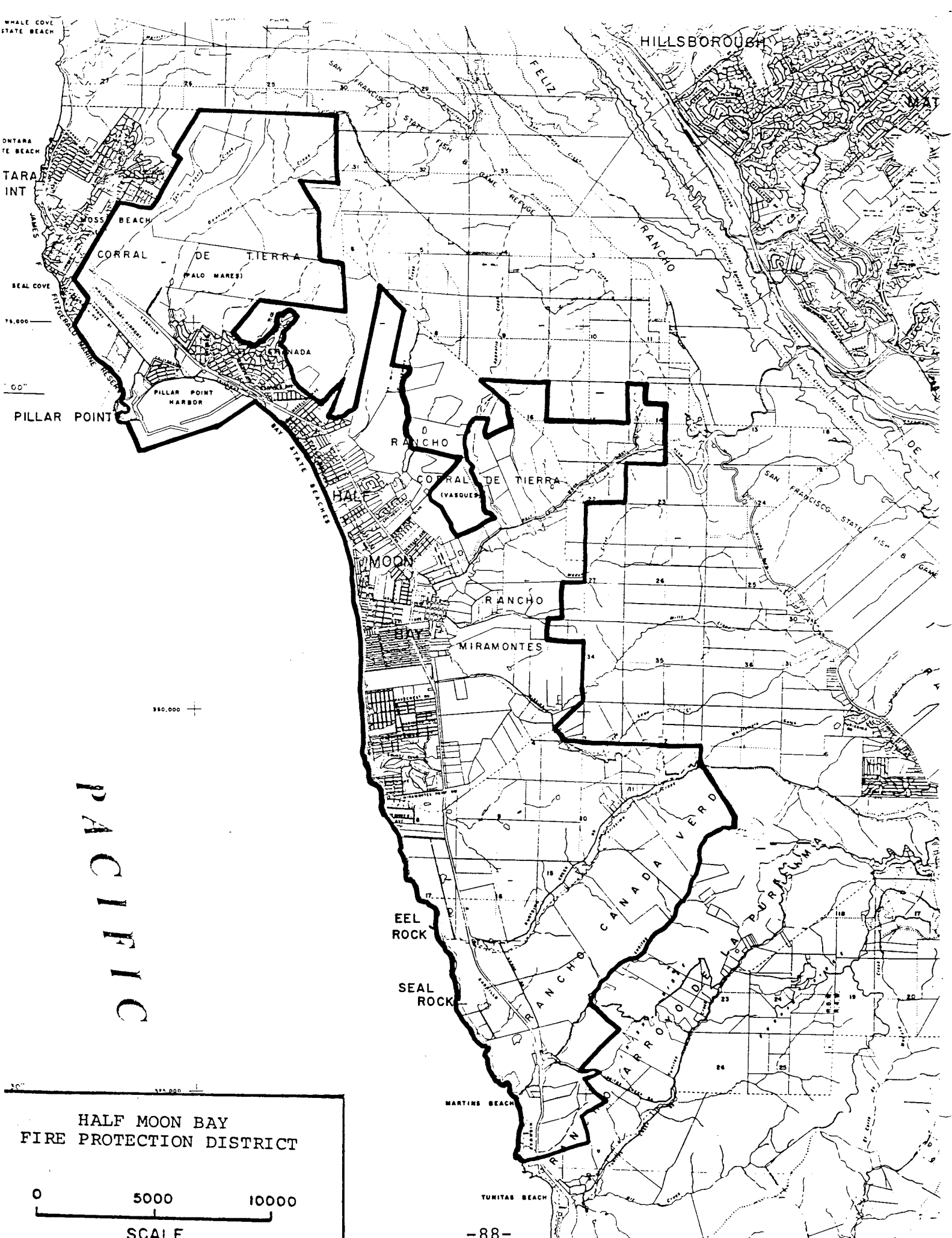
Contractual Arrangements: Mutual Aid agreements with all the San Mateo County fire departments, communications services from San Mateo County Dispatch Center

Number of Personnel: 26 Total: 21 Fire Suppression, 1 Fire Marshal, 1 Battalion Chief, 1 Fire Chief, 2 Clerical (25 Volunteers)

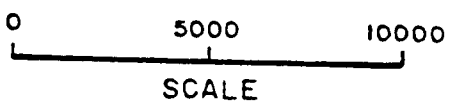
Sphere of Influence: Zero

## Fiscal Data

	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
<u>Revenues</u>			
Property Tax	\$2,119,617	2,375,396	\$2,418,674
Augmentation Fund	89,939	19,794	19,992
Fees for Service	-0-	-0-	-0-
Other Revenues	496,622	180,516	1,069,922
<b>TOTAL REVENUES</b>	<b>\$2,706,178</b>	<b>\$2,575,706</b>	<b>\$3,508,588</b>
<u>Expenditures</u>			
Personnel Services	\$1,744,061	\$1,743,121	\$2,306,348
Services & Supplies	264,027	349,218	628,521
Fixed Assets	-0-	87,792	441,527
Other Expenditures	-0-	136,770	132,191
<b>TOTAL EXPENDITURES</b>	<b>\$2,008,088</b>	<b>\$2,316,901</b>	<b>\$3,508,588</b>



HALF MOON BAY  
 FIRE PROTECTION DISTRICT





# POINT MONTARA FIRE PROTECTION DISTRICT

501 Stetson  
Moss Beach, CA 94038

Contact Person: Dave Eufusia  
Fire Chief  
728-3022 FAX 728-1823

Date of Formation: January 28, 1954

Enabling Legislation: Section 13800 et seq. State Health and Safety Code

Governing Board: Three member board of directors elected to four-year terms

- a. Membership and Term Expiration Date: William Giussi, Chairman (11/97), Bob Ptacek (11/99), Terrence Smith (11/99)
- b. Compensation: \$50 per meeting (see detail, page 145)
- c. Public Meetings: Second Tuesday of each month at 7:30 pm  
501 Stetson, Moss Beach

Services Provided: Fire prevention and suppression, emergency medical treatment, general rescue services, fire prevention services and public education

Area Served: 7.5 sq. miles

Estimated Population: 6,500 (as of 1993)

Contractual Arrangements: Mutual aid agreements for rescue and fire

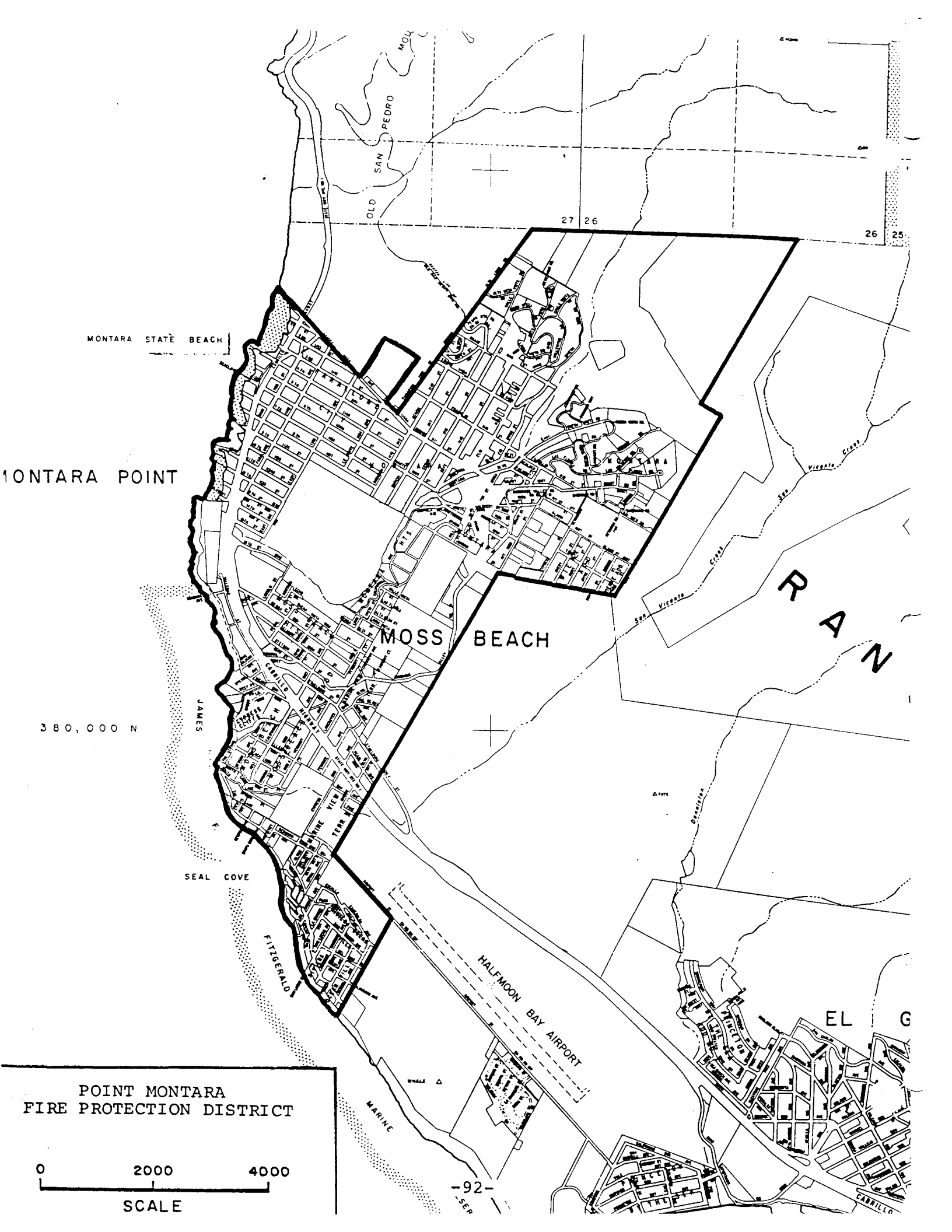
Number of Personnel: 8 total: 3 Fire Fighters, 1 Fire Chief, 1 Battalion Chief, 2 Captains and 1 Staff Assistant.

Sphere of Influence: Zero

## Fiscal Data\*

	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
<u>Revenues</u>			
Fund Balance Available	\$128,675	\$115,676	\$114,724
Property Tax	\$540,006	\$526,301	\$542,460
Benefit Assessments	155,704	148,082	153,000
Fees for Service	-0-	-0-	-0-
Other Revenues	7,517	24,750	20,558
<b>TOTAL REVENUES</b>	<b>\$831,902</b>	<b>\$814,809</b>	<b>\$830,742</b>
<u>Expenditures</u>			
Personnel Services	\$541,495	\$545,653	\$606,950
Services & Supplies	91,499	91,467	130,433
Fixed Assets	10,307	50,068	7,000
Other Expenditures	28,710	5,402	6,400
<b>TOTAL EXPENDITURES</b>	<b>\$672,011</b>	<b>\$692,590</b>	<b>\$750,783</b>

\*Excludes Reserves



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POINT MONTARA  
FIRE PROTECTION DISTRICT

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SCALE

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# SAN MATEO COUNTY HARBOR DISTRICT

One Johnson Pier  
P. O. Box 39  
El Granada, CA 94018

Contact Person: James Stillwell  
Interim General Manager  
726-4723 FAX 726-7740

Date of Formation: 1933

Enabling Legislation: Section 6000 et seq. State Harbors and Navigation Code

Governing Board: Five member Board of Commissioners elected to four-year terms

a. Membership and Term Expiration Date: Frank Lee, President (12/96), Sally Campbell (12/96), Pietro Parravano (12/96), Donald Sherer (12/98), Betty Stone (12/98)

b. Compensation: \$600 per month (see detail, page 145)

c. Public Meetings: First and third Wednesdays of each month at 7:00 pm

1st Meeting:	2nd Meeting:
Coastside Co. Water Dist.	Municipal Services Building
766 Main St., Half Moon Bay	33 Arroyo Drive, South San Francisco

Services Provided: Builds, operates and maintains harbor and marina facilities in San Mateo County and provides search and rescue facilities at Pillar Point Harbor

Area Served: San Mateo County Estimated Population: 657,300 (as of 1991)

Contractual Arrangements: A joint powers agreement with the City of South San Francisco for operation, maintenance and economic development of Oyster Point Marina/Park

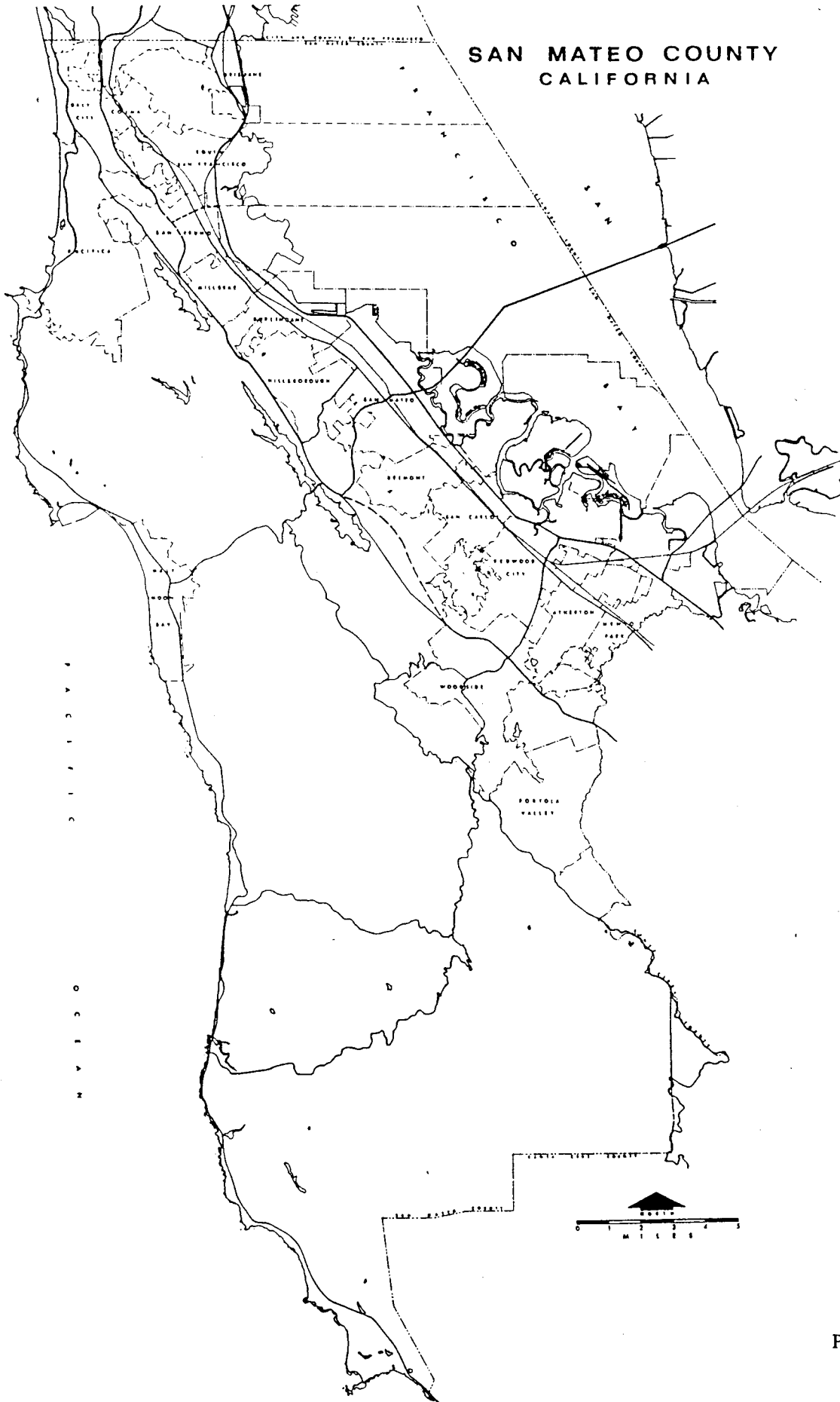
Number of Personnel: 24 total: 20 Full-time (13 Harbor Operators, 3 Clerical, 3 Administrative, 4 Supervisory), 7 Part-time/clerical-marina security

Sphere of Influence: Zero

## Fiscal Data

	<u>Actual</u> 1993-94	<u>Actual</u> 1994-95	<u>Adopted</u> 1995-96
<u>Revenues</u>			
Property Tax	\$1,575,477	\$1,462,864	\$1,545,000
Augmentation Fund	-0-	-0-	-0-
Fees for Service	1,843,284	1,766,797	2,145,700
Other Revenues	643,706	641,323	647,011
<b>TOTAL REVENUES</b>	<b>\$4,062,467</b>	<b>\$3,870,984</b>	<b>\$4,337,711</b>
<u>Expenditures</u>			
Personnel Services	\$1,245,144	\$1,336,112	\$1,495,650
Services & Supplies	1,003,658	1,297,706	937,500
Fixed Assets	295,848	400,278	-0-
Other Expenditures	1,433,657	1,433,657	1,494,911
<b>TOTAL EXPENDITURES</b>	<b>\$3,978,307</b>	<b>\$4,467,753</b>	<b>\$3,928,061</b>

# SAN MATEO COUNTY CALIFORNIA



# GRANADA SANITARY DISTRICT

P. O. Box 335  
El Granada, CA 94018

Contact Person: Judith McKenzie  
Recording Secretary and Clerk  
726-7093

Date of Formation: March 18, 1958

Enabling Legislation: Section 6400 et seq. State Health and Safety Code

Governing Board: Five member board of directors elected to four-year term

- a. Membership and Term Expiration Date: Bonnie Okonek, President (11/97), Jim Vogt, Treasurer (11/97), Barbara Prosser, Secretary (11/99), Alton J. Prosser (11/99), Bob Meyer (11/97)
- b. Compensation: \$100 per meeting (see detail, page 145)
- c. Public Meetings: Third Wednesday of each month  
Portola Pump Station  
529 Obispo Road, El Granada, CA 94018

Services Provided: Sewage treatment and disposal

Area Served: The unincorporated communities of El Granada, Miramar, Princeton-By-the-Sea, and the Frenchman's Creek subdivision in Half Moon Bay

Estimated Population: 4,152 (as of 1983)

Contractual Arrangements: Sewer Authority Mid-Coastside joint powers agreement

Number of Personnel: 1 total part time: 1 Clerk

Sphere of Influence: Zero

## Fiscal Data

	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
<u>Revenues</u>			
Reserves	1,814,500	350,000	350,000
Property Tax	-0-	150,000	150,000-
Augmentation Fund	-0-	-0-	-0-
Fees for Service	890,000	715,000	734,000
Other Revenues	125,000	489,638	253,000
<b>TOTAL REVENUES</b>	<b>\$2,829,500</b>	<b>\$1,704,638</b>	<b>\$1,487,000</b>
<u>Expenditures</u>			
Personnel Services	\$ 7,600	\$ 7,800	\$ 16,500
Services & Supplies	127,300	680,813	796,900
Fixed Assets	1,722,000	10,000	26,100
Other Expenditures	637,600	533,117	647,500
<b>TOTAL EXPENDITURES</b>	<b>\$2,494,500</b>	<b>\$1,231,730</b>	<b>\$1,487,000</b>

MONTARA  
STATE BEACH  
MONTARA  
POINT

375,000  
30' 00"

PILLAR POINT

CORRAL DE TIERRA  
(PALO MARES)

BAY STATE BEACHES

RANCHO

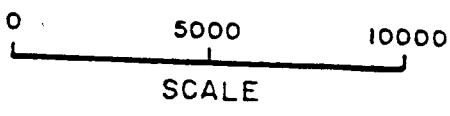
CORRAL DE TIERRA  
(VASQUES)

MOON

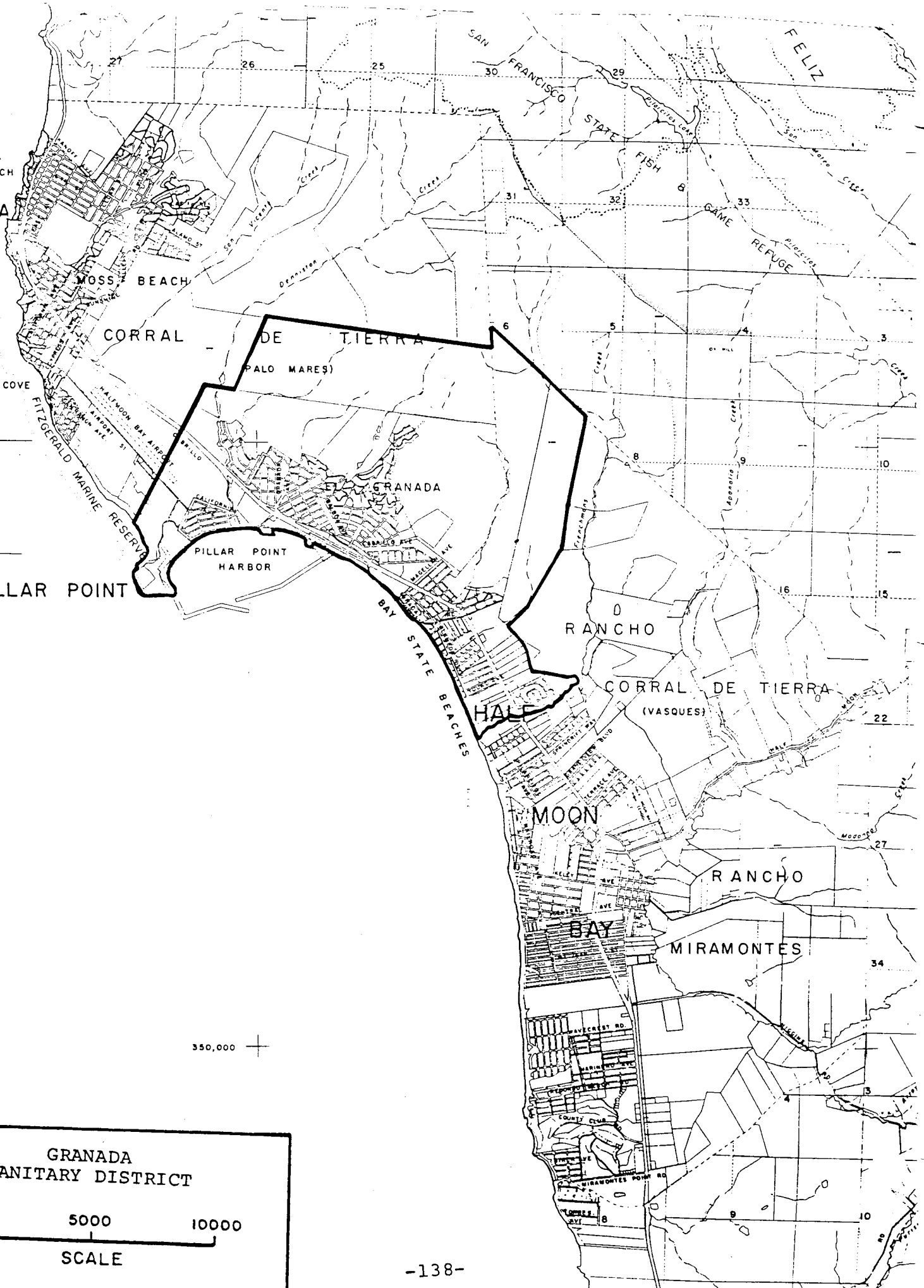
RANCHO

MIRAMONTES

GRANADA  
SANITARY DISTRICT



350,000



# MONTARA SANITARY DISTRICT

8888 Cabrillo Hwy.  
P.O. Box 370131  
Montara, CA 94037

Contact Person: George Irving  
Administrator  
728-3545 FAX 728-8556

Date of Formation: August 5, 1958

Enabling Legislation: Section 6400 et seq. State Health and Safety Code

Governing Board: Five member board of directors elected to four-year terms

- a. Membership and Term Expiration Date: R.B. Ptacek, President (11/97), Paul Perkovic (11/99), Kathryn Slater-Carter (11/99), James Stilwell (11/99), Chris Thollaug (11/97)
- b. Compensation: \$75 per meeting (see detail, page 145)
- c. Public Meetings: First Thursday of each month at 7:30 pm  
8888 Cabrillo Highway  
Across from 16th St., west side of Cabrillo Hwy, Montara

Services Provided: Sewage collection, contract trash service

Area Served: 7 sq. miles

Estimated Population: 4,200 (as of 1987)

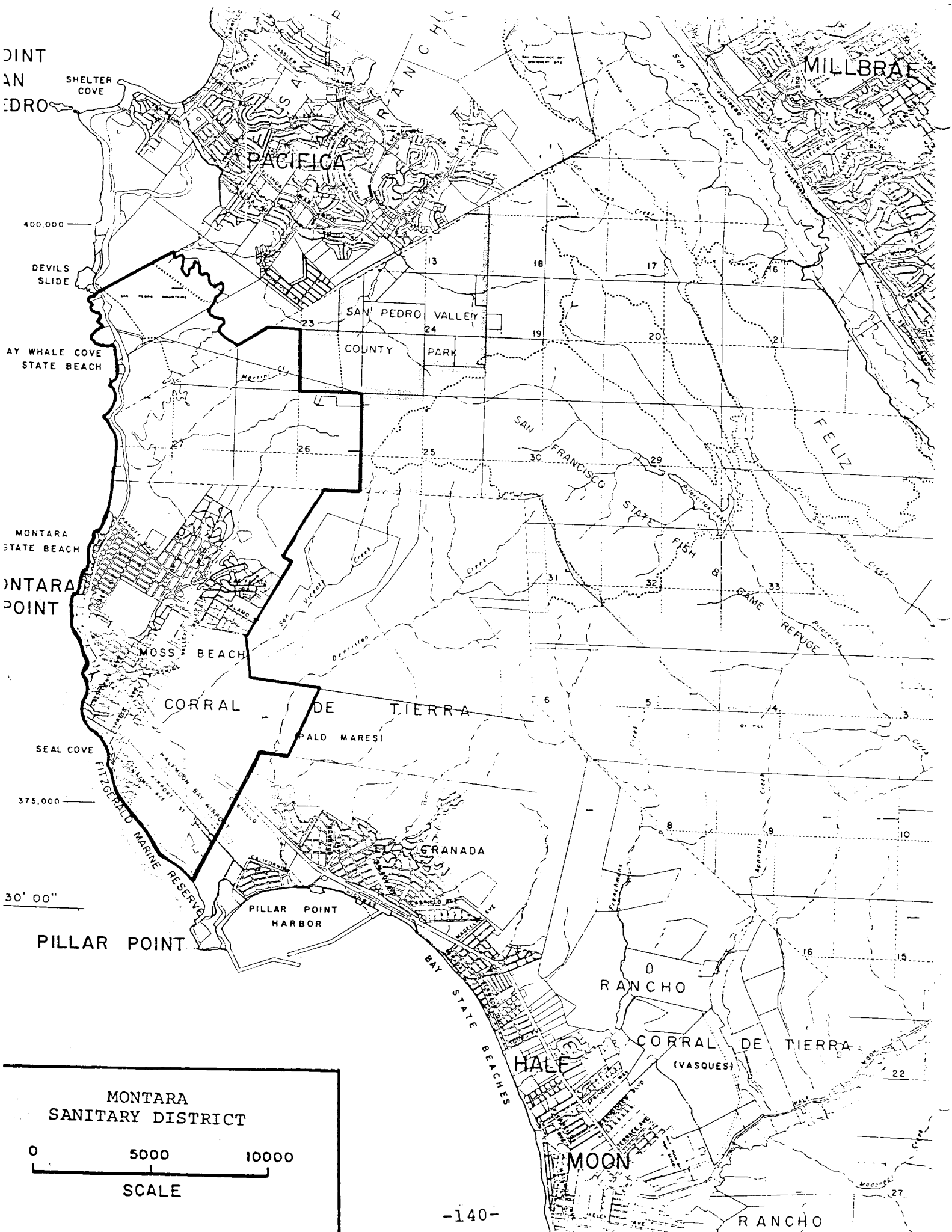
Contractual Arrangements: Sewer Authority Mid-Coastside Joint Powers Agreement, Seacoast Disposal Trash Service

Number of Personnel: 1.5 Total: .5 Clerical, 1 Administrator

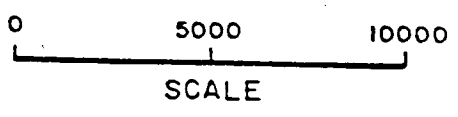
Sphere of Influence: Zero

## Fiscal Data

<u>Revenues</u>	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
Property Tax	\$239,116	\$ 92,626	\$ 148,000
Augmentation Fund	-0-	-0-	-0-
Fees for Service	813,309	500,937	1,026,765
Other Revenues	49,554	78,076	111,831
<b>TOTAL REVENUES</b>	<b>\$1,101,979</b>	<b>\$671,639</b>	<b>\$1,286,596</b>
 <u>Expenditures</u>			
Personnel Services	\$ 20,743	\$ 10,947	\$ 65,731
Services & Supplies	588,943	458,769	1,092,279
Fixed Assets	108,588	-0-	108,586
Other Expenditures	-0-	-0-	20,000
<b>TOTAL EXPENDITURES</b>	<b>\$718,274</b>	<b>\$469,716</b>	<b>\$1,286,896</b>



MONTARA  
SANITARY DISTRICT





# GRANADA HIGHWAY LIGHTING DISTRICT

Public Works Department  
10 Twin Dolphin Drive, Suite C-200  
Redwood City, CA 94065

Contact Person: Walt Callahan  
Flood Control & Utilities Manager  
363-4100 FAX 594-9980

Date of Formation: October 3, 1910

Enabling Legislation: Section 19000 et seq. Streets and Highway Code

Governing Board: Five member Board of Supervisors elected to four-year terms expiring in January

- a. Membership and Term Expiration Date: Ruben Barrales, President (2001), Mary Griffin (2001), Tom Huening (1999), Ted Lempert (1999), Michael Nevin (2001)
- b. Compensation: Included in base salary
- c. Public Meetings: Every Tuesday at 9:00 am  
Board of Supervisors' Chambers  
San Mateo County Hall of Justice  
401 Marshall Street, Redwood City

Services Provided: Street lighting

Area Served: El Granada

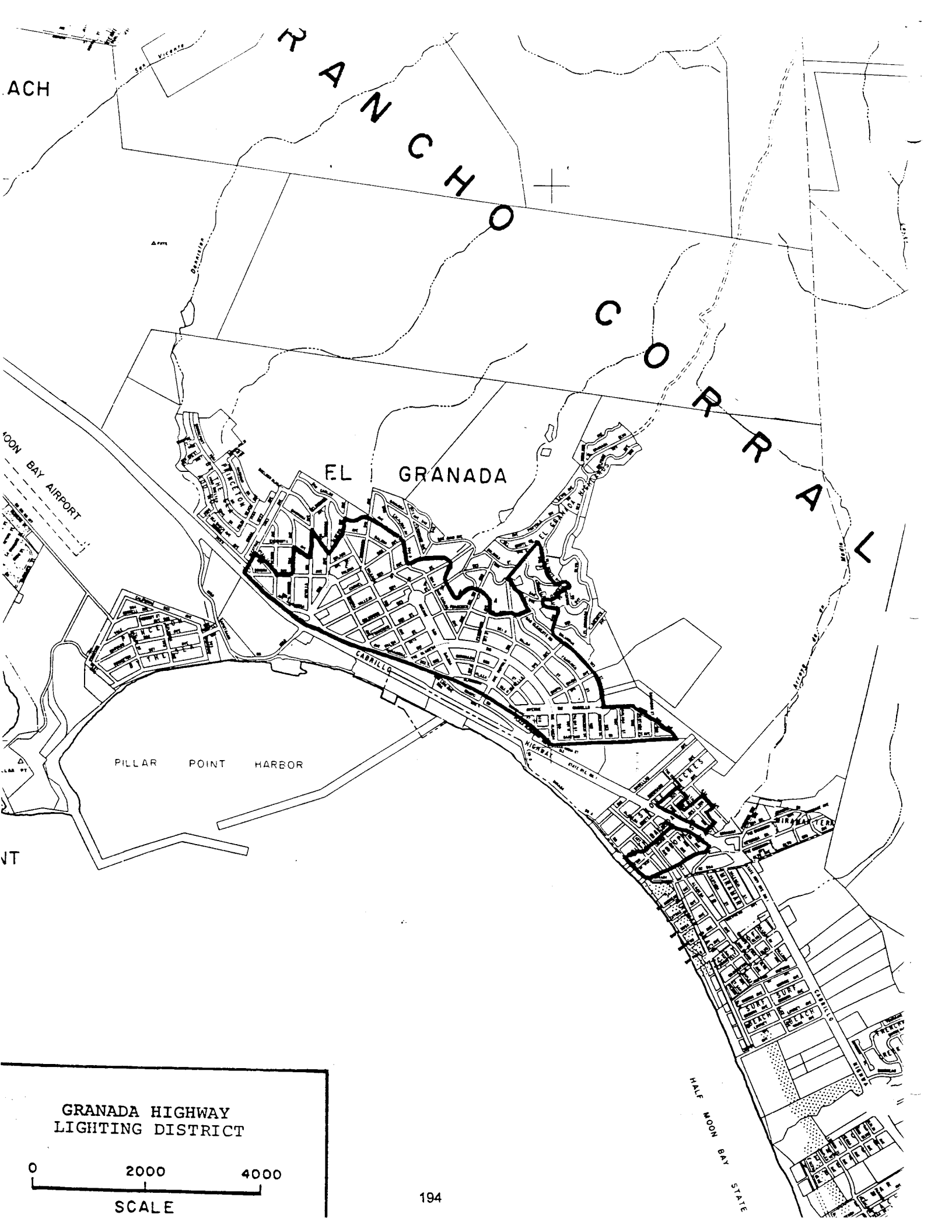
Contractual Arrangements: Annual contracts are used for maintenance and one-time contracts for specialized projects

Number of Personnel: The district is served by the Public Works Department staff with charges cost-applied to the district on a time and materials basis

Sphere of Influence: N/A

## Fiscal Data

<u>Revenues</u>	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
Fund Balance	\$129,369	\$147,101	\$162,193
Property Tax	\$ 16,692	\$ 16,410	\$ 17,570
Augmentation Fund	-0-	-0-	-0-
Fees for Service	-0-	-0-	-0-
Other Revenues	6,322	6,308	8,234
<b>TOTAL REVENUES</b>	<b>\$152,383</b>	<b>\$169,819</b>	<b>\$187,997</b>
<u>Expenditures</u>			
Personnel Services	-0-	-0-	-0-
Services & Supplies	\$5,281	\$7,627	\$187,977
Fixed Assets	-0-	-0-	-0-
Other Expenditures	685	685	-0-
<b>TOTAL EXPENDITURES</b>	<b>\$5,966</b>	<b>\$8,312</b>	<b>\$187,977</b>



ACH

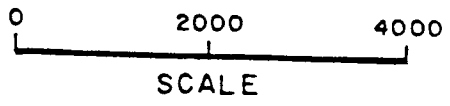
RANCHO CORRAL

EL GRANADA

PILLAR POINT HARBOR

HALF MOON BAY STATE

GRANADA HIGHWAY  
LIGHTING DISTRICT



# MONTARA HIGHWAY LIGHTING DISTRICT

Public Works Department  
10 Twin Dolphin Drive, Suite C-200  
Redwood City, CA 94065

Contact Person: Walt Callahan  
Flood Control & Utilities Manager  
363-4100 FAX 594-9980

Date of Formation: September 23, 1913

Enabling Legislation: Section 19000 et seq. State Streets and Highway Code

Governing Board: Five member Board of Supervisors elected to four-year terms expiring in January

- a. Membership and Term Expiration Date: Ruben Barrales, President (2001), Mary Griffin (2001), Tom Huening (1999), Ted Lempert (1999), Michael Nevin (2001)
- b. Compensation: Included in base salary
- c. Public Meetings: Every Tuesday at 9:00 am  
Board of Supervisors' Chambers  
San Mateo County Hall of Justice  
401 Marshall Street, Redwood City

Services Provided: Street lighting

Area Served: Montara and Moss Beach Estimated Population: 4,600 (as of 1983)

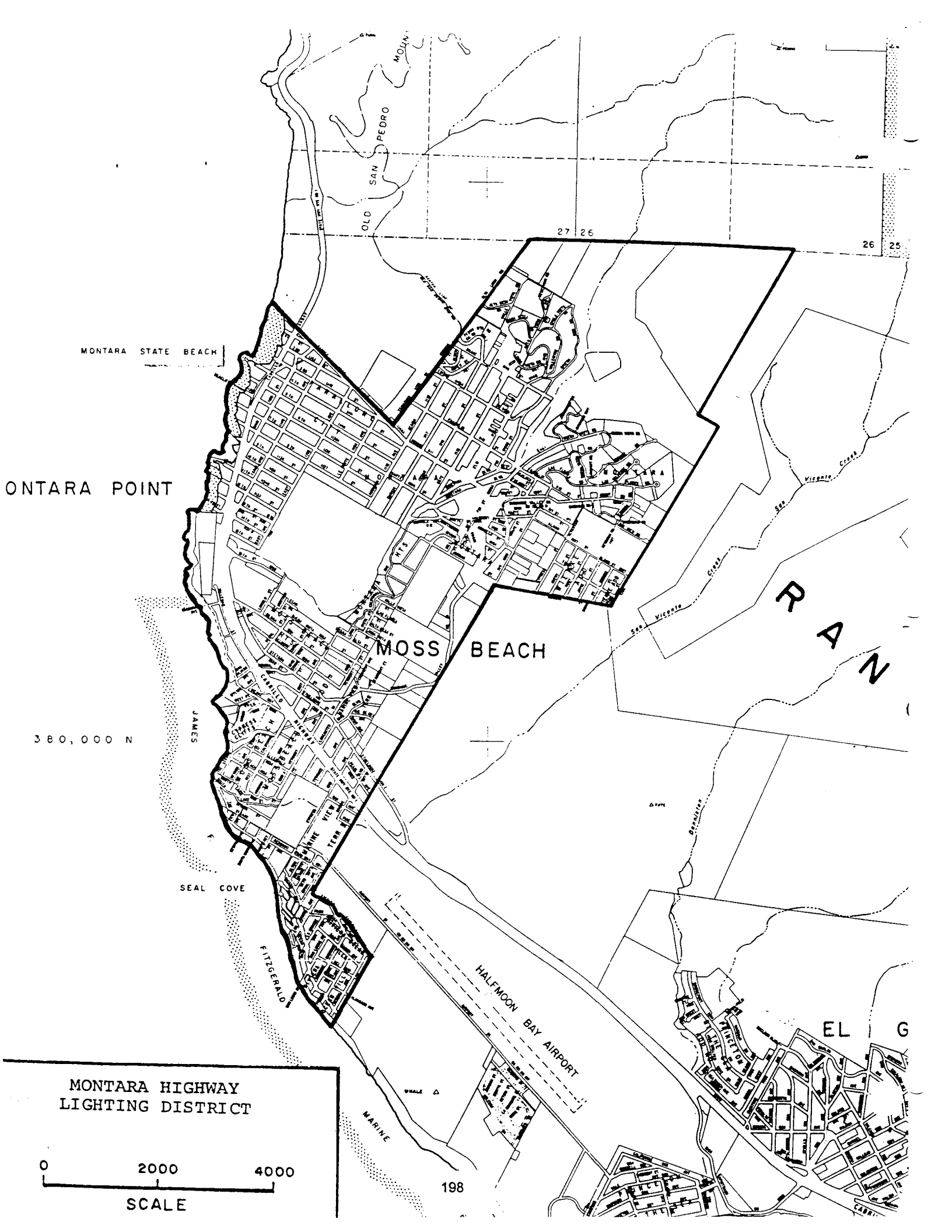
Contractual Arrangements: Annual contracts are used for maintenance and one-time contracts for specialized projects

Number of Personnel: The district is served by Public Works Department staff with charges cost-applied to the district on a time and materials basis

Sphere of Influence: N/A

## Fiscal Data

	<u>Actual</u> <u>1993-94</u>	<u>Actual</u> <u>1994-95</u>	<u>Adopted</u> <u>1995-96</u>
<u>Revenues</u>			
Fund Balance	\$193,514	\$223,789	\$251,119
Property Tax	\$ 31,392	\$ 29,491	\$ 32,810
Augmentation Fund	-0-	-0-	-0-
Fees for Service	-0-	-0-	-0-
Other Revenues	9,612	10,217	\$12,846
<b>TOTAL REVENUES</b>	<b>\$234,518</b>	<b>\$263,497</b>	<b>\$296,775</b>
<u>Expenditures</u>			
Personnel Services	-0-	-0-	-0-
Services & Supplies	\$10,728	\$12,379	\$296,775
Fixed Assets	-0-	-0-	-0-
Other Expenditures	1,185	1,185	-0-
<b>TOTAL EXPENDITURES</b>	<b>\$11,913</b>	<b>\$13,564</b>	<b>\$296,775</b>



MONTARA STATE BEACH

MONTARA POINT

OLD SAN PEDRO MOUNTAIN

27 26

26 25

MOSS BEACH

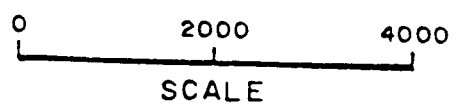
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380,000 N

SEAL COVE

HALFMOON BAY AIRPORT

MONTARA HIGHWAY LIGHTING DISTRICT



198

EL G

## **COUNTY SERVICE AREA NO. 10 (Montara Parks)**

S. M. County Parks and Recreation  
4th Floor, County Government Center  
Redwood City, CA 94063

Contact Person: Patrick Sanchez  
Director  
363-4020 FAX 599-1721

Date of Formation: January 14, 1975

Enabling Legislation: Section 23210.1 et seq. State Government Code

Governing Board: Five member Board of Supervisors elected to four-year terms expiring in January

- a. Membership and Term Expiration Date: Ruben Barrales, President (2001), Mary Griffin (2001), Tom Huening (1999), Ted Lempert (1999), Michael Nevin (2001)
- b. Compensation: Included in base salary
- c. Public Meetings: Every Tuesday at 9:00 am  
Board of Supervisors' Chambers  
San Mateo County Hall of Justice  
401 Marshall Street, Redwood City

Services Provided: None (The CSA was formed to establish assessments for park maintenance, but the assessment levy was not passed and the park was not acquired)

Area Included: Moss Beach and Montara unincorporated areas (Approximately 7.5 square miles)

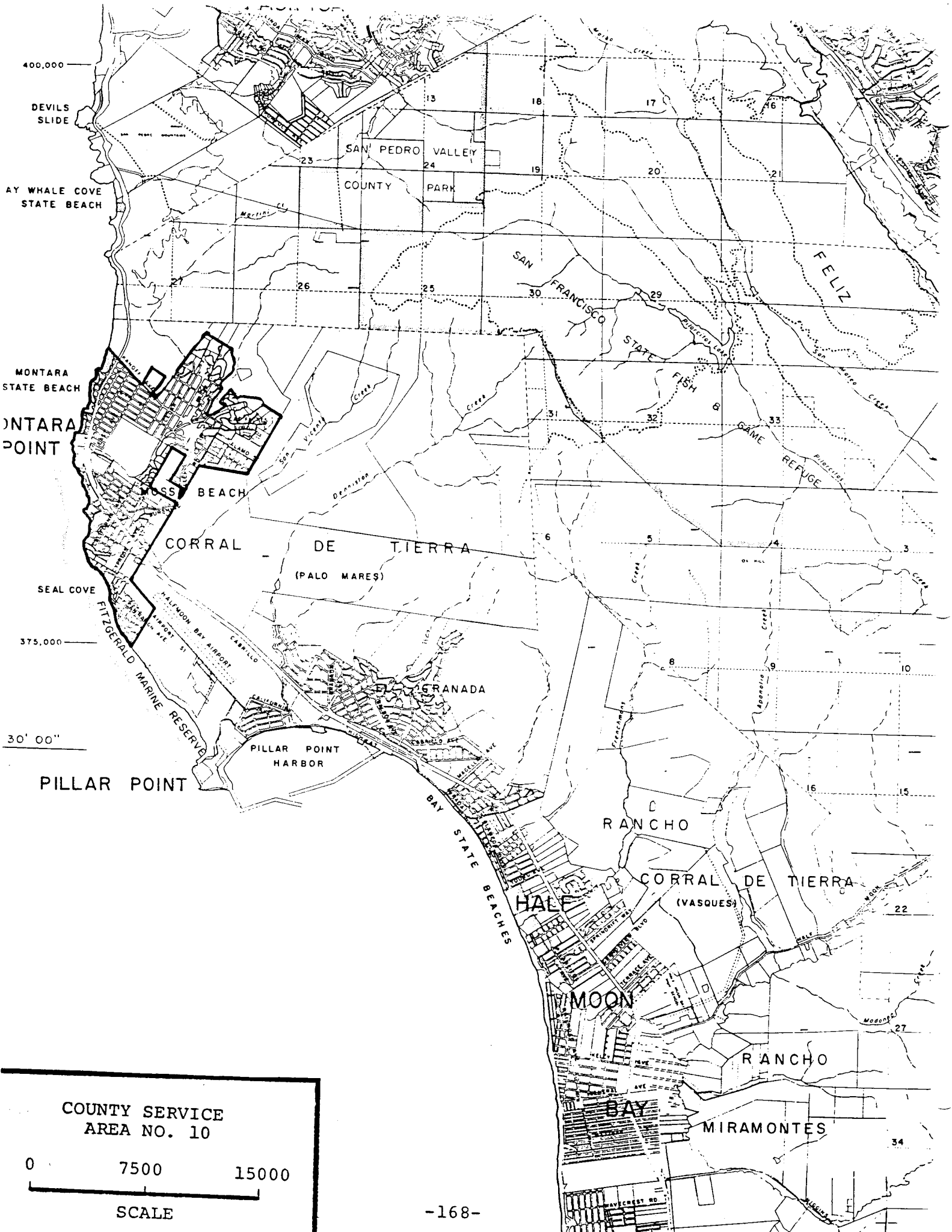
Estimated Population: 5,500 (as of 1983)

Contractual Arrangements: None

Number of Personnel: None

Sphere of Influence: Zero

Fiscal Data: None.



COUNTY SERVICE  
AREA NO. 10

0 7500 15000

SCALE

## **COUNTY SERVICE AREA NO. 12 (Montara/Moss Beach)**

Public Works Department  
10 Twin Dolphin Drive, Suite C-200  
Redwood City, CA 94065

Contact Person: Walt Callahan  
Senior Civil Engineer  
363-4100 FAX 594-9980

Date of Formation: September 26, 1988

Enabling Legislation: Section 23210.1 et seq. State Government Code

Governing Board: Five member Board of Supervisors elected to four-year terms expiring in January

- a. Membership and Term Expiration Date: Ruben Barrales, President (2001), Mary Griffin (2001), Tom Huening (1999), Ted Lempert (1999), Michael Nevin (2001)
- b. Compensation: Included in base salary
- c. Public Meetings: Every Tuesday at 9:00 am  
Board of Supervisors' Chambers  
San Mateo County Hall of Justice  
401 Marshall Street, Redwood City

Services Provided: The CSA was formed to facilitate the public acquisition of a privately owned water utility and the transfer of responsibility for water service in Montara and Moss Beach to the Coastside County Water District. The CSA has been inactive following legislative authorization for the Montara Sanitary District to provide water service to the same area in 1991.

Area Served: Montara and Moss Beach unincorporated areas

Estimated Population: 5,500 (as of 1987)

Contractual Arrangements: Various contracts for engineering and legal services

Number of Personnel: None

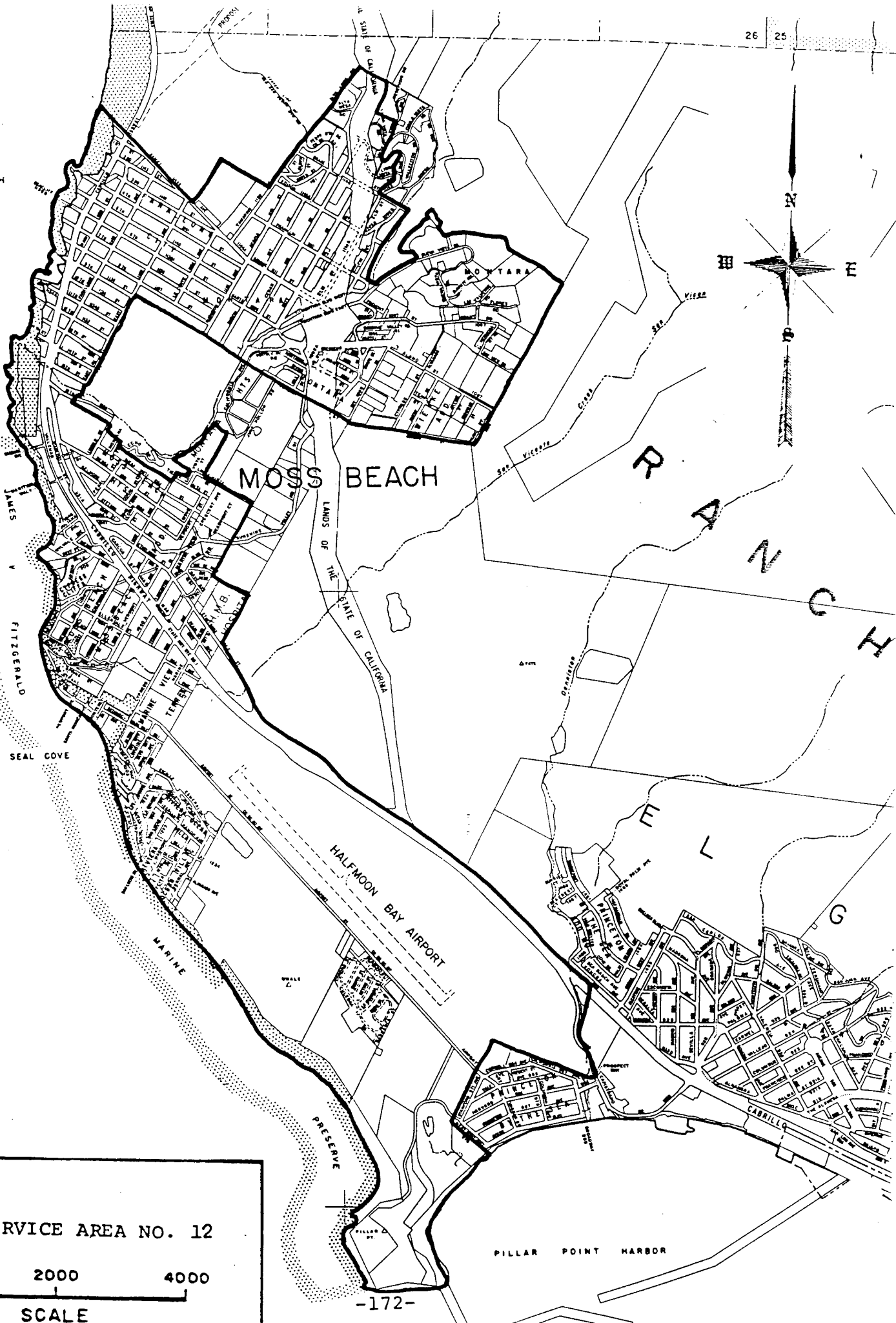
Sphere of Influence: Coterminous with CSA boundaries

Fiscal Data: None

STATE BEACH

POINT

00 N



MOSS BEACH

RANCHO

HALFMOON BAY AIRPORT

ELLING

COUNTY SERVICE AREA NO. 12

0 2000 4000  
SCALE



# **Appendix C: Written Comments**



# MONTARA SANITARY DISTRICT

*Serving Montara and Moss Beach*

Post Office Box 370131  
8888 Cabrillo Highway  
Montara, CA 94037

Tel: (650)728-3545  
Fax: (650)728-8556  
george@montara.com

June 9, 1998

Paul M. Koenig, Director  
Environmental Services Agency  
COUNTY OF SAN MATEO  
590 Hamilton Street, 4<sup>th</sup> Floor  
Redwood City, CA 94063

## **RE: DRAFT MID-COAST INCORPORATION/ANNEXATION STUDY**

Dear Paul,

We have reviewed the referenced document and offer the following comments:

- The report indicates that Site One, the Montara Sanitary District Site, may be used for commercial and/or industrial purposes. The District received title to this property from the Federal government on the condition that it be used for the current public purpose as a sanitary district. It may not be used for commercial or industrial private-sector purposes.
- Reference was made to the commercial and industrial uses of the Half Moon Bay Airport. We would like to underscore the fact that the airport restaurant and office will be required to connect to the District's sewer system once additional sewer capacity is available. This is particularly important in light of the problems the County has had with the existing septic system, and its proximity to the aquifer providing the community's drinking water.
- The study did not address the extensive deferred maintenance of the existing road system in this area and the high cost that would be experienced by any agency assuming responsibility for it.

We appreciate the opportunity to comment on the draft report. If you have any questions please contact the District Administrator or me at 728-3545.

Sincerely,

B. R. Ptacek, President  
BOARD OF DIRECTORS



# City of Half Moon Bay

CITY COUNCIL  
CITY HALL • 501 MAIN STREET  
P.O. BOX 338  
HALF MOON BAY, CALIFORNIA 94019  
415-726-8270

Dennis Coleman, Councilmember

Martha Poyatos  
590 Hamilton Street  
Redwood City, CA 94063

June 11, 1998

Subject: Comments on Draft Midcoast Incorporation/Annexation Study

As the City Council's assigned liaison to the Midcoast Community Council, I have followed the subject study for some time. I attended and provided HMB staffing and budget information to MCC's FOG (Form of Government) Committee meetings, which were the forum that led to MCC's original request for the study. I'm in touch with Coastside voters and familiar enough with the study issues to make what I hope are relevant comments.

Whether increased local control of the Midcoast eventually takes the route of incorporation, annexation, formation of an area planning commission, holding of a scance, or something else, I support it. In fact, most if not all HMB City Council members have made remarks to the effect that, before Midcoasters complain to us about our land use decisions (which they have not been shy about doing), they should put their own house in order.

Acting on this study can benefit both the City and County by harvesting the inherent opportunities of the Coastside economy, infrastructure and environment, and protecting them from unnecessary risk. The Coastside geographic, infrastructure, economic and environmental linkages are such that intended benefits of HMB's currently underway LCP refinements can come to naught, if Midcoast decision-making continues to be remotely determined, out of phase, inconsistent, or detached from the reality of unique local conditions and trends.

Incorporating the following specific comments may open up areas that are beyond the study's scope, but they are well worth mentioning as factors which could easily impact the apparent results or their implied interpretation (Local control isn't viable in the near term).

- Political support for local control was not surveyed. A rosy picture can fade without it. In this case, a marginal financial picture can be quickly improved if enough voters supported making that happen. Coastside conditions and opportunities are vastly different than the examples of 'cities on the edge' (East Palo Alto, Pacifica) cited by the County as reasons that local control isn't viable at this time.
- The amount of upside revenue potential was not related to the startup shortfall period, nor was the duration of that period evaluated relative to how much more quickly local control could address that shortfall. For example, the opportunities that need to be capitalized on (eg. number of hotel rooms, retail transaction volume, other taxable business volume, etc.) and the time window necessary to at least begin to do that was not estimated. We are left with an expectation of endless deficit, when the County already runs a deficit servicing this area. With local control at least attempting to mind the store, it is as likely as not that problems would be better managed and eventually minimized.
- The effect of creative government action by empowered local officials was not mentioned as a factor which could improve the cost/revenue situation. For example, the study makes assumptions that the local share of property tax available remains the same as the County makes available now. That would not be the case if the Midcoast formed Redevelopment project areas to correct the jobs/housing imbalance. The study also assumes minimal business license tax revenue, based on current County practice (which a newly incorporated area could change). Finally, the study does not mention that local control of LCP decisions (city) or interpretation (Area Planning Commission) could in fact quickly mitigate the fiscal problems claimed to be a near-insurmountable obstacle to local control.
- The possibility of special district consolidation and economies of scale introduces major uncertainty in the fiscal projection for both annexation and incorporation. The application of pessimistic assumptions (It can't happen here) is fine for one scenario, but it was not balanced with an optimistic scenario to show the other end of the possible range of outcomes. Also on the pessimistic side, existing Midcoast-paid fund balances and the possibility of County seed funds to wean the Midcoast from County subsidies, are not considered in the startup financial analysis. Again, there is an upside.

Please mention that consideration of these and other factors could impact the study results and interpretation. Thank you.

*Dennis Coleman*

Midcoast Community Council  
P.O. Box 64  
Moss Beach, CA 94038  
(650) 728-2129 (voice and fax)  
[www.montara.com](http://www.montara.com) (WEB Page)

Serving 12,000 residents

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June 11, 1998

Mr. Paul Koenig, Executive Officer  
Ms. Martha Poyatos, LAFCo Analyst  
Local Agency Formation Commission  
County Government Center  
590 Hamilton Avenue  
Redwood City, CA 94063

Dear Mr. Koenig and Ms. Poyatos:

SUBJECT: *Midcoast Incorporation / Annexation Fiscal Feasibility Study* document

### SUMMARY

At its June 10, 1998 meeting, the Midcoast Community Council unanimously voted to forward its comments on the : *Midcoast Incorporation / Annexation Fiscal Feasibility Study* document to the Local Agency Formation Commission. The remainder of this document lists those findings, presents the desired tentative timeline beginning to emerge for the remainder of this process, and also lists the meetings and attendees present at each of the meetings where the findings herein were determined.

Total change in Projected Budget Deficit if changes below were made: **\$397,000 improvement in deficit from \$877,000 to \$480,000 by the end of YEAR 4 following incorporation.** Using the numbers currently present in the study, if legal lots rather than parcels used to calculate tax to individual property-holders, net is about \$100 per lot owner. If these two assumptions could be combined, the tax per legal lot might be as little as \$60.

### DETAILS

**Parcel Tax – page 11; Use legal lots, not APN's; adjust "lot tax" downward to \$100:** The Parcel tax is stated to be about \$163 per APN, if used to cover entire deficit at start-up point. This Parcel Tax should be calculated based on the number of legal lots, not on the number of APN's. The county estimates 5,350 APN's. There are many more developed and undeveloped lots, including commercial as well as residential. In Moss Beach / Montara alone, according to the Montara Sanitary District, there are over 6,000 lots. One possible outcome might be the merger of many contiguous sub-standard lots to minimize the impending parcel tax.

Granada Sanitary District (GSD) has about 2000 customers. GSD has about 2100 ERU's in the assessment district, and is getting about 2700 ERU's of new capacity from the plant. This results in the GSD service area having a total of over 4000 parcels. Add that to Montara Sanitary District's 6000, and get 10,000 parcels. This comes to a parcel tax of about \$87.

**TABLE 8 – Adjust Business License Tax Revenues upward \$259,000 over 4 years:**

The Business License Tax table assumes that there will be no change in the number of professional jobs based in the midcoast after incorporation. By the end of YEAR 4 following incorporation, we anticipate having built and occupied at least one office park with space for 200 professionals. In the study, please include an example of 200 professional jobs in start-up corporations (where there are two corporations with 50 employees each, having revenues of \$200,000 per employee, and two corporations with twenty employees each, having revenues of \$125,000 per employee, and the remainder are 15 corporations at start-point have 4 employees each, totaling 60 employees and \$900,000 in annual revenue). This would result in about \$25,900,000 in total revenues for the corporations and a total Business License Tax of \$259,000 (at 1% of total revenues, about four years after incorporation into a city).

**TABLE 16 – Net change about ZERO:**

Police costs appear to be too high. Long ago we were told that the Sheriff's officers start their time-card day in Redwood City where they clock in and end their day when they clock out there. In effect, we're paying for a ninety minute commute and a six-and-one-half hour work day. However, Martha Poyatos of LAFCo told David Spiselman that the officers punch in at the Half Moon Bay Airport, giving us a full eight hour day. Also, both a per mile charge and depreciation on vehicles are included, where the per mile charge should be inclusive of depreciation. On the other hand, Sheriff currently gives full service, while what is included in the study is only basic service. There are other charges we can expect to face that aren't included in the study.

**TABLE 18 – Net change about ZERO:**

Is Half Moon Bay's service level for Public Works currently better than that of the unincorporated midcoast? Half Moon Bay pays about \$350,000 more, net.

**TABLE 19 – Adjust Planning Department Salaries downward by about \$138,000:**

Use the Half Moon Bay numbers for the new city's Planning Department headcount (5.5), not the county's current dedicated headcount (7.5).

**Parcel Tax – page 11; Use legal lots, not APN's; adjust "lot tax" downward to \$100:**

The Parcel tax is stated to be about \$163 per APN, if used to cover entire deficit at start-up point. This Parcel Tax should be calculated based on the number of legal lots, not on the number of APN's. The county estimates 5,350 APN's. There are many more developed and undeveloped lots, including commercial as well as residential. In Moss Beach / Montara alone, according to the Montara Sanitary District, there are over 6,000 lots. One possible outcome might be the merger of many contiguous sub-standard lots to minimize the impending parcel tax.

### **General Findings and Comments:**

The assumption at the bottom of page 5 is bad. HMB has had very little development for the last few years due to lack of sewer capacity.

Under "Planning and Building" on page 9, the HMB staffing level should be assumed, not the County's staffing level.

On page 12 of the Study, under "Fees", there's a comment about increasing fees to cover costs. This needs to be done in this analysis, since most current residents won't want to subsidize any costs associated with development. New development should pay the full cost of the department.

There is a water issue: Citizens Utilities (CU) serves many of the areas that the county was suggesting could be rezoned to provide for office parks or other more tax-intensive uses. CU has no unused capacity at this time. However, potential commercial properties might possibly be served by CCWD even though they're in CU's "service" area, since MSD has water board powers. Conceptually, MSD could contract with CCWD to get the water, and MSD could serve those properties!

Why are the unincorporated Midcoast's total assessed property valuations about 75% of Half Moon Bay when our population is about 10% greater than theirs?

Coastal related services include both visitor serving as well as local businesses serving local residents or providing a non-commuting job for local residents, according to the Coastal Act.

We want the final draft of the study to include a list of comparable areas that have incorporated, or tried to incorporate and failed. Ms. Poyatos stated at the May 27, 1998 Midcoast Community Council Meeting that LAFCo studied recent incorporations, so this information is already in your notes. Could LAFCo please place these in an appendix to the study?

Please include the list of services that a city must provide. Ms. Poyatos stated at the May 27, 1998 Midcoast Community Council Meeting that there are minimum requirements that a city must provide. Could LAFCo please place these in an appendix to the study?

Please state in the study whether it is possible for the new city to assume the rights and responsibilities that the county now has with respect to the Half Moon Bay Airport.

Please state in the study the process by which the new city transitions from its current LCP to a City General Plan (assuming that the contents of the two plans are the same).

We now need to start communicating with the community through a series of "Town Hall Meetings." We need to present them with the information LAFCo has produced, respond

to their questions and establish how many folks want us to continue to investigate incorporation.

## **TIME LINE**

### **Midcoast Community Council Meeting**

May 27, 1998

#### **COMMENTS FROM:**

<u>NAME</u>	<u>EMAIL</u>
Scott Boyd	
Joe Gore	threezero@aol.com
Mary Hobbs	<u>mary@hax.com</u>
Chuck Kozak	
Ric Lohman	blohman@coastside.net
Jim Marsh	
Chris McComb	chris_mccomb@prodigy.net
Paul Perkovic	perk@montara.com
David Spiselman	<u>dave-s@coastside.net</u>
Kathryn Slater-Carter	
Laura Stein	laura.mclaughlin@worldnet.att.net
Leonard Woren	ldw@lindy.stanford.edu

### **FOG Meeting**

June 1, 1998, 7:30PM, 3-0 Café

#### **PRESENT:**

<u>NAME</u>	<u>EMAIL</u>
Lorraine Feather	plume@gte.net
Joe Gore	threezero@aol.com
Joe Loomis	lawyer@coastside.net
Paul Perkovic	perk@montara.com
David Spiselman	dave-s@coastside.net
Elizabeth Vesprimi	vesprimi@slipnet.net
Leonard Woren	ldw@lindy.stanford.edu

### **PLANNING AND ZONING COMMITTEE**

June 3, 1998, 7:30PM, 3-0 Café

#### **PRESENT:**

<u>NAME</u>	<u>EMAIL</u>
Tim Duff	
Joe Gore	threezero@aol.com
Mary Hobbs	<u>mary@hax.com</u>
Chuck Kozak	
Paul Perkovic	perk@montara.com
David Spiselman	dave-s@coastside.net
Kathryn Slater-Carter	
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**Midcoast Community Council Meeting**

**June 10, 1998**

**COMMENTS FROM:**

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**Late June:**

After receipt of comments from the public and from public agencies, LAFCo presents the final draft to the MCC.

**July-August:**

Public Meetings to determine if there is support to continue with the process, toward incorporation.

*Dave Spiselman, Chair*



## INTRODUCTION

In the course of reviewing the Draft Mid-Coast Incorporation/Annexation Fiscal Study, the Mid-Coast Community Council has requested a discussion of how the estimated revenues available to the study area compare to other cities in San Mateo County. Based on 1997/98 Adopted Budgets, the attached table presents population, total general fund revenues for each city, as well as property tax, sales tax and transient occupancy tax (TOT) revenues. The table also presents these revenue categories as a percent of total general fund revenues and a per capita basis.

Based on the Fiscal Study's incorporation scenario, Mid-Coast revenue categories are shown in two formats: first, in relation to total estimated general fund revenues for the study area, and second, in relation to target general fund revenues based on estimated general fund expenditures for the incorporation scenario.

## SUMMARY

The attached general fund revenue survey demonstrates that not all San Mateo County cities are alike in terms of primary sources of general fund revenue. Certain factors distinguish several of the cities as atypical. For example, the City of Brisbane has one of the second lowest populations (3,205) and has within its jurisdiction several corporate headquarters that generate a high volume of sales tax revenue: \$733 per capita, or 42% of the City's general fund revenues. Atherton and Hillsborough have little or no sales or transient occupancy tax revenues, but both cities have successfully implemented a parcel tax that requires affirmation by the voters every four years. The Cities of Burlingame and Millbrae benefit from close proximity to San Francisco International Airport, with transient occupancy tax revenues representing 65% and 35% of these cities' general fund revenues, respectively.

In isolating the City of Half Moon Bay, which has a population and location most similar to the Mid-Coast, and the City of Pacifica, which resembles the study area in geography, the following table summarizes how the Mid-Coast study area compares to these cities.

City	Gen'l Fund	Gen'l Fund Per Cap	Prop Tax Per Cap	Prop. Tax as % of GF	Sales Tax Per Cap	Sales Tax as % of GF	TOT Per Cap	TOT as % of GF
HMB	4,289,300	\$395	\$54	13.7%	\$93	23.5%	\$56	14.1%
Pacifica	12,289,000	\$310	\$97	31.4%	\$28	9.0%	\$8	2.7%
Mid-Coast	3,316,942	\$276	\$29	10.5%	\$22	7.8%	\$18	6.4%

Current estimates of revenues available in the study area indicate that property tax, sales tax and transient occupancy tax are 10.5%, 7.8% and 6.4%, respectively, of the study area's general fund

revenues, with sales and transient occupancy taxes equaling less than half the proportion these revenues bear to general fund revenues of the City of Half Moon Bay. This comparison indicates that the proposed city would be deficient in sales and transient occupancy tax revenues and would need to promote development that would increase these revenues or implement some other finance mechanism such as a parcel tax in order to fund basic municipal services. By way of comparison with the rest of the State, the Office of the State Controller reports that for the Fiscal Year ending June 1996, property tax represented 19.08% of all cities' general revenues and sales tax represented 27.3% of all city general fund revenues.

Jeanette Rapp, in *Revenue Options: Charting a Course for the 21st Century* (Western City Magazine, November 1996) cites several trends in local government finance affecting, or affected by, changing revenue sources for California cities. Among these trends she notes: local government revenue limitations resulting from Proposition 13 increased local government's dependency on sales tax; property tax shifts to schools further increased this dependency; situs based sales tax has created competition between communities for commercial development; and many land use decisions have become revenue driven as cities are relying more and more on sales tax and transient occupancy tax to augment their general fund. San Mateo County's cities all show the signs of these trends, either in disproportionate shares of sales or transient occupancy tax, voter approved parcel taxes to fund basic municipal services or in many cases, diminished capacity to fund a full range of city services.

## CONCLUSION

Clearly, revenue sources for cities are dependent upon a wide array of characteristics such as median income, population, population density, types and density of development, assessed valuation, regional economy and transportation corridors, etc. Furthermore, looking at only the revenue side of the equation does not indicate which cities have fiscally sound budgets or best serve their citizens. While this complexity makes comparison of the Mid-Coast study area to other San Mateo County cities difficult, it provides the reader with a point of reference and perhaps direction in establishing a plan for developing revenues that would sustain general governmental services.

Alternative revenue sources for cities are detailed in the League of California Cities [California Municipal Revenue Sources Handbook](#).

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General Fund Revenue Survey: San Mateo County Cities  
(source: 1997/98 adopted budgets)

City	Population	Total Gen'l Fund Revenue	Per Capita Gen'l Fund	Property Tax Revenue	% of Total Gen'l Fund	Per Capita Property Tax	Sales Tax Revenue	% of Total Gen'l Fund	Per Capita Sales Tax	Transient Occupancy Tax	% of Total Gen'l Fund	Per Capita TOT
Daly City	101,349	39,488,605	390	7,914,998	20.0%	78	6,850,000	17.3%	68	215,000	0.5%	2
San Mateo	92,180	40,280,365	437	10,300,000	25.6%	112	12,262,564	30.4%	133	1,800,000	4.6%	18
Redwood City	73,225	40,655,509	555	10,809,239	26.6%	148	12,020,592	29.6%	164	1,348,098	3.3%	18
So. San Francisco	57,608	33,307,643	578	6,904,000	20.7%	120	11,141,000	33.4%	193	3,500,000	10.5%	61
San Bruno	40,814	16,263,800	398	2,750,500	16.9%	67	5,530,000	34.0%	135	775,000	4.8%	19
<b>Pacifica</b>	<b>39,667</b>	<b>12,289,000</b>	<b>310</b>	<b>3,854,450</b>	<b>31.4%</b>	<b>97</b>	<b>1,109,650</b>	<b>9.0%</b>	<b>28</b>	<b>330,000</b>	<b>2.7%</b>	<b>8</b>
Menlo Park	30,554	21,320,490	698	3,830,410	18.0%	125	7,875,300	36.9%	258	1,082,020	5.1%	35
Foster City	29,769	16,719,200	562	5,183,000	31.0%	174	3,619,000	21.6%	122	769,000	4.6%	26
Burlingame	28,567	28,171,000	986	4,540,500	16.1%	159	7,750,000	27.5%	271	10,800,000	64.6%	363
San Carlos	28,074	11,398,503	406	2,863,115	25.1%	102	4,050,800	35.5%	144	185,000	0.7%	6
Belmont	25,218	8,911,440	353	1,257,270	14.1%	50	2,847,000	31.9%	113	515,600	5.8%	20
East Palo Alto	25,051	5,025,915	201	1,660,000	33.0%	66	260,000	5.2%	10	0	0.0%	0
Millbrae	21,447	9,682,222	451	1,796,426	18.6%	84	2,042,650	21.1%	95	3,340,503	34.5%	156
Hillsborough	11,328	7,908,700	698	5,567,600	70.4%	491	47,100	0.6%	4	0	0.0%	0
<b>Half Moon Bay</b>	<b>10,852</b>	<b>4,289,300</b>	<b>395</b>	<b>587,000</b>	<b>13.7%</b>	<b>54</b>	<b>1,006,500</b>	<b>23.5%</b>	<b>93</b>	<b>606,000</b>	<b>14.1%</b>	<b>56</b>
Atherton	7,372	5,483,409	744	1,758,860	32.1%	239	52,800	1.0%	7	0	0.0%	0
Woodside	5,466	2,372,233	434	555,086	23.4%	102	302,317	12.7%	55	0	0.0%	0
Portola Valley	4,470	2,123,200	475	296,000	13.9%	66	98,000	4.6%	22	0	0.0%	0
Brisbane	3,205	5,588,644	1,744	760,000	13.6%	237	2,350,000	42.0%	733	0	0.0%	0
Colma	1,240	6,018,082	4,853	22,266	0.4%	18	5,679,610	94.4%	4,580	0	0.0%	0
Midcoast	12,020	2,440,258	203	346,798	14.2%	29	260,100	10.7%	22	212,400	8.7%	18
Midcoast*	12,020	3,316,942	276	346,798	10.5%	29	260,100	7.8%	22	212,400	6.4%	18

\*assumes target general fund revenues based on estimated expenditure budget for incorporation of \$3,316,942

04/08/98 prepared by: Martha Poyatos, LAFCo, 650/363-4224

## **INTRODUCTION**

In response to the Mid-Coast Community Council's request that the final incorporation/annexation fiscal study includes information on comparable areas that have incorporated or tried to incorporate and failed, the following is an informational report on incorporations in California. The attached table provides data on the fifteen incorporations that have taken place in California since 1990 and the following discussion summarizes information contained in the table as well as pending incorporations and several incorporation efforts that, for various reasons, have not become formal applications.

It should be noted that because there is no central source for data contained herein, time and resources did not allow for a detailed, in-depth study. Further study of this topic would include at a minimum, more complete information on general fund revenues and expenditures, comparison of estimated revenues upon incorporation versus present day, data on median income of residents in study areas, and actual time and cost of the incorporation process.

### **Summary of Incorporations Since 1990**

Of the fifteen incorporations that have taken place this decade, land areas have ranged from 1.6 square miles to 46 square miles and population has ranged from 3,590 to 87,969. Estimated property tax revenues for the first fiscal year of incorporation ranged from \$310,000 (Buellton, population of 3,590) to \$3,000,000 (Lake Forest, population 57,000). On a per capita basis, property tax revenue ranged from \$21 to \$26. Sales tax revenues ranged from \$382,000 (American Canyon, population of 7,100) to \$8.67 million (Citrus Heights, population of 87,979). On a per capita basis, sales tax ranged from \$9 to \$208. The city with the highest combined per capita property and sales tax revenues was Buellton, with a population of 3,590 and the city with the lowest combined per capita property and sales tax revenues was Canyon Lake, with a population of 10,100.

Several incorporations, in particular post-1992 when revenue neutrality for incorporations became law, resulted in litigation over revenue neutrality or land use decisions. Discussions with city and LAFCo respondents indicated that in most cases proponents sought incorporation primarily for local control over land use or a higher level of municipal services and improved infrastructure.

The majority of incorporations included in the survey were preceded by a community services district, public utilities district or municipal advisory council and incorporation efforts were led by a committee of affected residents.

### ***Revenue Neutrality and Incorporations***

William Fulton, in *Twenty Years of Proposition 13* states that “Proposition 13 sparked a renaissance in new city incorporations . . .” because with property tax increases outlawed, incorporation proponents realized that incorporation was a good way to capture property and sales tax revenue for the benefit of their community. He goes on to explain that this trend set the stage for 1992 “revenue neutrality” legislation which required that city incorporations be fiscally neutral to affected counties. In the six years preceding enactment of revenue neutrality, California experienced an average of five incorporations per year. Following enactment of the revenue neutrality requirement, combined with the property tax shift from local government to schools, incorporations slowed to two in 1993 (Shasta Lake and Truckee) and one in 1997 (Citrus Heights). All three of these incorporations have resulted in litigation.

### **Case Studies**

#### ***Canyon Lake (1990)***

The incorporation of Canyon Lake was proposed by a Property Owners’ Association (POA) of a gated community which encompassed almost the entire proposed city boundaries. Upon incorporation, the city had an estimated population of 10,100 and an area of 4.5 square miles. Canyon Lake POA employed a staff of 130 and funded many services. Canyon Lake POA pursued incorporation to avoid annexation of the community to a neighboring city. Property tax revenues reported for 1995/96 fiscal year were \$306,000 compared to \$215,500 estimated for the first year of incorporation and sales tax revenues for the 1995/96 fiscal year were \$65,549 compared to \$142,400 estimated for the first year of incorporation.

#### ***Murrieta (1991)***

Murrieta’s incorporation was preceded by an independent fire district which was formed in 1947 and served as a focal point for the community. A community services district, formed in the 1980's to fund park and recreation services was also serving the community. Upon incorporation, the city had an estimated population of 24,000 and an area of 25 square miles. Incorporation was initiated by an incorporation committee seeking home rule for a community which grew from a population of 4,000 in 1988 to 24,000 in 1991. Property tax revenues reported for 1995/96 fiscal year were \$1.45 million compared to \$725,000 estimated for the first year of incorporation and sales tax revenues for the 1995/96 fiscal year were \$2.26 million compared to \$142,400 estimated for the first year of incorporation.

### ***Windsor (1992)***

In the case of the Town of Windsor, incorporation efforts were led by a citizens' committee, but the community centered around the water district. The County of Sonoma anticipated incorporation of Windsor and had adopted a Windsor Specific Plan which the new city adopted as its general plan. Also, while the Windsor incorporation was approved by the voters in November of 1991, the election included election of a city council that worked by committee until the actual effective date of July 1, 1992. This allowed the council, serving as a committee, to prepare ordinances and contract arrangements so that the City Council could act on them at the first city council meeting following incorporation. Upon incorporation, the city had an estimated population of 14,800 and an area of 6.5 square miles. Property tax revenues reported for 1995/96 fiscal year were \$1.38 million compared to \$1.32 million estimated for the first year of incorporation and sales tax revenues for the 1995/96 fiscal year were \$1.05 million compared to \$802,300 estimated for the first year of incorporation.

### ***Shasta Lake (1993)***

Shasta Lake was the first incorporation following enactment of revenue neutrality. Shasta Lake's incorporation was preceded by a public utilities district and was proposed by an incorporation committee. Upon incorporation, the city had an estimated population of 25,000 and an area of 15 square miles. Incorporation resulted in litigation over the property tax transferred from the county to the new city. Property tax revenues reported for 1995/96 fiscal year were \$247,596 compared to \$685,710 estimated for the first year of incorporation and sales tax revenues for the 1995/96 fiscal year were \$222,178 compared to \$215,090 estimated for the first year of incorporation.

### ***Citrus Heights (1997)***

Citrus Heights incorporation efforts began in 1986 when a petition for incorporation was filed by the Citrus Heights Incorporation Project (CHIP). Following several months of initial hearings and reconsideration hearings, the proposal was approved by Sacramento LAFCo. Then, following a series of lawsuits and appeals regarding procedure, a county-wide right to vote on the incorporation and the need for an environmental impact report, CHIP and the County of Sacramento signed a settlement agreement and an environmental impact report was prepared. Following approval by LAFCo in June of 1996, incorporation was approved by the voters with an effective date of January 1, 1997. Upon incorporation, the city had an estimated population of 87,969 and an area of 14.2 square miles. To date, the City of Citrus Heights is in default on revenue neutrality mitigation payments approved at the incorporation election and barring successful negotiation between the City and the County, litigation is likely.

## **Pending Incorporations**

### ***Oakley***

Contra Costa LAFCo reports that the incorporation of Oakley has been approved by the Commission on June 24, 1998 and is pending conducting authority proceedings. The application was submitted by the Oakley Incorporation Committee in June of 1997, following several unsuccessful attempts which began with initial efforts in 1983. The Oakley incorporation includes an area of 14.7 square miles and a population of 121,300, which is currently served by two water districts and a sanitary district and receives police and fire service from the County of Contra Costa. Total estimated property tax revenues that would be transferred to the new city for the first full fiscal year are \$641,179 and estimated sales tax revenues are \$564,000. The proposal will next go before the Contra Costa Board of Supervisors to determine protest, and barring greater than 50% registered voter protest, will go to an election. The proposal is characterized as a proposal that has “no opposition.”

### ***El Dorado Hills***

El Dorado LAFCo reports that it is processing an application to incorporate El Dorado Hills, a community with a population of 17,000 and encompassing 225 square miles. El Dorado Hills is served by a community services district formed in 1962, a county water district formed in 1960 and has in place a community council which has formed an incorporation task force. El Dorado Hills is described as an affluent community seeking a higher level of municipal services and local land use control. Total estimated property tax revenues that would be transferred to the new city for the first full fiscal year are \$4,735,551 and estimated sales tax revenues are \$439,039. Total general fund revenues were estimated to be \$8,671,637 for the first full fiscal year.

### ***Leisure World***

Orange County LAFCo reports that incorporation of the retirement community, Leisure World, has been approved by LAFCo on June 22, 1998 and is pending conducting authority proceedings. Leisure World, developed in 1963, has a population of 15,053 and encompasses approximately three square miles. In addition to county provided general government and sheriff services, the community is served by an independently governed water district and a fire authority. Estimated property tax revenues for the new city are \$500,000 and estimated sales taxes are approximately \$98,000.

### ***Elk Grove***

Sacramento County reports that following applications for the incorporation of Elk Grove in 1987 and another in 1991 which failed at election in 1994, an application was again submitted in

1996. Elk Grove is a community with a population of 46,077 and encompassing approximately 57 square miles. Elk Grove is described as a fully functioning bedroom community and is served by a community services which provides park and recreation services and fire protection. To date both the comprehensive fiscal analysis and environmental study have begun. Current estimates of revenues are not yet available. The 1993 comprehensive fiscal analysis reported estimated property tax revenues of \$1,086,989 and estimated sales tax revenues of \$2.5 million.

Of note is that the Community of Elk Grove receives a high level of park and recreation services and in June of 1997, the Elk Grove Community Services District passed an assessment to fund park and landscape maintenance with 87% voter approval.

### **Other Incorporation Efforts**

Placer LAFCo reports that following intensive study of incorporation of the community of North Lake Tahoe over the last ten years, a proposal was not submitted to the Commission because it was determined that it would not be in the community's financial interest to incorporate.

Santa Cruz LAFCo reports that an application for the incorporation of Aptos was submitted to the Commission in 1989. The proposed incorporation included a population of 18,000 with an area of seven square miles. The area is served by an independent fire district, water district, a sanitation district and Santa Cruz County for all other services. Sales tax revenues that would accrue to the new city were estimated at \$358,000. Estimated property tax revenues were not made available for this survey. Santa Cruz LAFCo reports that when it was determined that an environmental impact report would be required, the proposal did not proceed to hearing by the Commission because the proponents could not fund the cost of the environmental document.

Monterey LAFCo reports that the Commission received an application to incorporate the community of Pebble Beach which reported sales tax and transient occupancy tax revenues of \$3 million each. The community is served by a community services district for fire protection, wastewater and solid waste. The application did not proceed because the environmental document was never completed.

Tulare County reports that while no formal application has been filed, the Cutler-Orosi Incorporation Committee has continued to meet monthly following completion of a preliminary incorporation fiscal study which found that incorporation would not be fiscally feasible. The study area includes the communities of Cutler and Orosi which are separated by about one-half mile of farm land and served by the same sanitary district, but separate public utility districts. The two communities encompass 4.3 square miles and have a combined population of approximately 11,000.



## **Conclusion**

While each newly incorporated city or community reviewed above may appear similar in land area or population, they each possess a unique mix of population density, level of urban services, extent of development, revenue sources and timing in the arena of local government finance. Therefore, it is not possible to list anyone community which could be identified as comparable to the Mid-Coast study area. However, some communities, such as Windsor, Elk Grove and El Dorado Hills, have been effective in establishing committees and processes in pursuing incorporation. For example, in the case of the Town of Windsor, a specific plan was adopted in anticipation of incorporation and time was allowed between the incorporation election and the incorporation effective date to allow for development of ordinances and contracts before the incorporation effective date. This example serves as an excellent success story in the planning and implementation of an incorporation.

It is hoped that information contained herein will assist the Mid-Coast Community Council with identification of communities that would serve as information sources, if not models, regarding minimum funding, costs, timing, and methods of pursuing incorporation should they determine that incorporation merits further study.

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### Incorporations in California (1990-1998)

Yr Inc	Community Name/County	Existing CSD, MAC, other	Population	Land Area (sq. mi.)	Existing Services	Prop. Tax Revenue	Sales Tax
90	Calimesa Riverside County	County Service Area Advisory Committee & Incorporation Committee	7,100	15.0	County Service Area for Park & Recreation	\$259,520	\$213,000
90	Canyon Lake Riverside County	Property Owners Assoc. (POA) (Gated Community)	10,100	4.5	POA provided	\$215,500	\$142,400
91	Yucca Valley San Bernardino County	Municipal Advisory Council (MAC), 1974	25,464	38.0	County Fire District, Airport District		\$823,265
91	Murrieta Riverside County	Incorporation Committee	24,000	25.0	Independent Fire District (1947) CSA for Park & Rec, L&L(1980)	\$725,000	\$460,000
91	Malibu Los Angeles County	Incorporation Committee	18,122	20.7	Various community services dists. for park & rec., lighting dist.	\$1.1 mm	\$958,773
91	Lake Forest Orange County	Incorporation Committee	57,000	10.0	County sheriff, road maintenance, recreation, planning	\$3mm	\$3mm
91	Laguna Hills Orange County	Not available					
91	Chino Hills San Bernardino County	MAC, 1984 Incorporation Committee	42,000	46.0	Ind. Dists: Fire, Water, Vector Control, Water Conservation		\$1.4mm
91	Calabasas Los Angeles County	"Cityhood Committee," 1985	14,143	11.3	Los Angeles County provided all services	\$600,000	\$1.42mm
92	Windsor Sonoma County	Water District	14,800	6.5	Water, Sewer by Water District, Fire District	\$1.32 mm	\$802,300
92	Buellton Santa Barbara Co.	CSD, 1958	3,590	1.6	CSD for water & sewer County sheriff, fire, flood cont.	\$310,000	\$750,000
92	American Canyon Napa County	Incorporation Committee	7,100	5.5	Ind. Water district for water, sewer, Ind. Fire District	\$897,500	382,100
93	Truckee Nevada County	Public Utilities District (PUD)	12,200	32.0	Sewer, Fire, Park & Recreation		
93	Shasta Lake Shasta County	PUD, 1991	25,000	15.0	Water, sewer, power, park and recreation	\$685,710	215,090
97	Citrus Heights Sacramento County	Incorporation Committee, 1986	87,969	14.2	Four park & rec districts, County fire, water, sewer	\$2.17mm	\$8.67 mm

Prepared by: Martha Poyatos, San Mateo LAFCo, (650) 363-4224  
Based on telephone survey and written responses of staff of affected LAFCos and subject cities.

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# **Mid-Coast Incorporation/Annexation Study**

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**Final Report - June 1998**

prepared for: Mid-Coast Community Council

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