



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

File #: 24-503

Board Meeting Date: 6/25/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Executive

Subject: Resolution authorizing and agreeing to an exchange of property tax between the County of San Mateo and the City of San Carlos for the proposed the annexation of 244 Club Drive

RECOMMENDATION:

Adopt a resolution authorizing and agreeing to an exchange of property tax between the County of San Mateo and the City of San Carlos for the proposed annexation of 244 Club Drive by the City of San Carlos.

BACKGROUND:

Before the Local Agency Formation Commission (LAFCo) can schedule an annexation application for hearing, Revenue and Taxation Code Section 99 requires participating jurisdictions to agree to the amount of property tax to be transferred as a result of the proposed annexation and associated changes in the provision of municipal services. Upon notice by the Controller, the participating jurisdictions have a sixty-day statutory period to negotiate the property tax exchange under Section 99 that can be extended at the request of the parties by an additional thirty days.

DISCUSSION:

A property owner has applied to LAFCo for the annexation of the residential parcel known as 244 Club Drive (APN 049-050-070) ("Parcel") to the City of San Carlos. Following annexation, the City of San Carlos will be responsible for providing municipal services to the Parcel, including fire protection and sewer service. The County and City were notified by the Controller's Office on April 12, 2024, of the start of the sixty-day negotiation period, and the City of San Carlos requested and was granted a 30-day extension to July 11, 2024.

County staff recommends a tax exchange that approximates relative property tax shares in nearby areas in the City. Because the City of San Carlos will provide fire protection following annexation, staff recommends transferring 100% of the increment currently apportioned to County Fire Protection to the City, as well as a portion of the County's property tax share. The recommended tax share transfers are summarized in the following chart.

From	To	Incremental Factor
County Fire Protection	City of San Carlos	0.0780377667
County of San Mateo	City of San Carlos	0.0516461546

The total incremental factor to be transferred to the City of San Carlos is 0.1296839213. The County's current incremental factor of 0.2879357450 associated with the Parcel will be reduced to 0.2362895904 following the transfer.

The resolution agreeing to this exchange has been reviewed and approved by the County Attorney's Office.

EQUITY IMPACT:

The law requires a property tax exchange negotiation in response to a proposed annexation, reflecting a change in the jurisdictional responsibility to provide municipal services to the property at issue. Staff does not anticipate either positive or negative impacts to any specific group as a result of the proposed action.

FISCAL IMPACT:

Prior to the annexation, the total amount of property tax revenue from the Parcel attributable to the incremental factors before the Educational Revenue Augmentation Fund shift for the County and County Fire Protection was \$1,223.76 for FY 23-24. Based on the proposed transfers after annexation, using FY23-24 as an example, the City of San Carlos would receive \$433.64 and the County would receive \$701.11.