

**TAX EXCHANGE AGREEMENT
BETWEEN
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO,
RELATING TO THE PANHANDLE ANNEXATION**

This TAX EXCHANGE AGREEMENT ("Agreement") is made and executed in duplicate this day of 2018 by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California ("COUNTY"), and the CITY OF SACRAMENTO, a charter city ("CITY").

RECITALS

A. On June 6, 1978, the voters of the State of California amended the California Constitution by adding Article XIII A thereto which limited the total amount of property taxes which could be levied on property by local taxing agencies having such property within their territorial jurisdiction to one percent (1%) of full cash value.

B. Subsequently, the California Legislature added Section 99 to the California Revenue and Taxation Code, which requires a city seeking to annex property to its incorporated territory and a county affected by such annexation to agree upon an exchange of property taxes derived from such property and available to the county and city following annexation of the property to the incorporated territory of the city.

C. CITY will file an application with the Sacramento Local Agency Formation Commission requesting its approval of the annexation of approximately 589 acres of real property to CITY ("the Panhandle Annexation").

D. COUNTY and CITY wish to work together to develop a fair and equitable approach to the sharing of real property ad valorem taxes imposed and collected as authorized by the Revenue and Taxation Code in order to encourage sound urban development and economic growth.

E. Close cooperation between COUNTY and CITY is necessary to maintain and improve the quality of life throughout Sacramento County, including within the CITY, and deliver needed or desirable services in the most timely and cost-efficient manner to all CITY and COUNTY residents.

F. COUNTY recognizes the need for orderly growth within and adjacent to the CITY, and for supporting appropriate annexations by CITY.

G. Section 99 of the California Revenue and Taxation Code authorize a city and county to execute a property tax transfer agreement for the exchange of property tax revenues between a county and the city in connection with the annexations of property located in the unincorporated territory of a county to the incorporated territory of a city.

H. COUNTY and CITY after negotiations have reached an understanding as to a rate of exchange of property tax revenues to be made

pursuant to Section 99 of the California Revenue and Taxation Code, and herein describe limited circumstance in which the COUNTY and CITY will share sales tax and certain transient occupancy tax revenues, in connection with the annexation of the Panhandle Annexation Area to the CITY.

I. COUNTY and CITY also desire to set out the parameters for exchange of sales tax and portions of transient occupancy taxes generated in the Panhandle Annexation Area.

J. The provisions of Article XIII, Section 29(b) of the California Constitution authorize a City and County to enter into a contract to apportion between them the revenue derived from any sales or use tax imposed by them pursuant to the local sales and use tax law, provided that the ordinance or resolution approving the contract is approved by a two-thirds (2/3) vote of both the City Council and the Board of Supervisors.

K. This Agreement memorializes the understanding between the COUNTY and CITY and constitutes an enforceable property tax transfer agreement, under Section 99 of the California Revenue and Taxation Code

In consideration of the exchange of tax revenue, as provided for in this Agreement, and for other good and valuable consideration, the sufficiency of which is acknowledged by the parties, the COUNTY and CITY agree as follows:

TERMS

Section 1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Annexation Area" or "Handle" shall mean that portion of the unincorporated area of COUNTY known as the Panhandle Annexation, depicted in Exhibit A.1 and A.2 to this Agreement. The Annexation Area includes approximately 589 acres, consisting of farmland located north of Del Paso Road, west of Sorento Road, and south of Elkhorn Boulevard;

(b) "Annexation Date" shall mean the date specified by the Sacramento Local Agency Formation Commission consistent with the Cortese-Knox-Hertzberg Local Governmental Reorganization Act of 2000 (California Government Code § 56000 et seq.) as the effective date of the Panhandle Annexation.

(c) "Auto Dealer" shall mean a retailer who sells new or used cars or trucks who is also a "dealer" as defined by Vehicle Code Section 285. For purposes of this subsection, "cars" include vans that are sold primarily as passenger vehicles, and "trucks" include pickup trucks and cargo vans with a cargo capacity of one ton or less.

(d) "Big Box Retail Establishment" shall mean a store of greater than 75,000 square feet of building area that will generate sales, transaction or use tax revenue.

(e) "Excess Retail Uses" shall mean retail that exceeds 11.5 acres located within the Panhandle Annexation Area.

(f) "Panhandle Annexation" shall mean the annexation to the CITY, as delineated in Sacramento Local Agency Formation Commission Application Control Number "02-18", the annexation of which to CITY is subsequently approved and completed by the Sacramento Local Agency Formation Commission as provided for in the Cortese-Knox-Hertzberg Local Governmental Reorganization Act of 2000 (California Government Code § 56000 et seq.).

(g) "Property Tax Revenue" shall mean revenue from "ad valorem real property taxes on real property", as said term is used in Section 1 of Article XIII A of the California Constitution and more particularly defined in subsection (c) of Section 95 of the California Revenue and Taxation Code, that is collected from within the Annexation Area, is available for allocation to the City and the County, and is currently allocated to the County Library Fund, County Road, County General Fund, Natomas Fire Protection District, and Rio Linda-Elverta Recreation and Park District.

(h) "Sales Tax Revenue" shall mean the revenue from the sales, transaction, and use taxes levied and received by the CITY pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law", or any successor statutory provision, that is collected within the Annexation Area.

(i) "Single-Purpose or Regional Tax-Generating Land Use" shall mean hotels, motels, Auto Dealers, and Big Box Retail Establishments.

(j) "Transient Occupancy Tax Revenue" shall mean the CITY general fund share of revenue from any transient occupancy tax levied and received by the CITY pursuant to Revenue and Taxation Code Section 7280, or any successor statutory provision, that is collected within the Annexation Area.

(k) "Unincorporated Island", or "Pan", means the portion of unincorporated area south of Del Paso Road/Sotnip Road (depicted in Exhibit A.3), that shall remain an unincorporated area of the County.

Section 2. General Purpose of Agreement. The general purpose of this Agreement is:

(a) to devise an equitable exchange of Property Tax Revenue between CITY and COUNTY as required by Section 99;

(b) to fairly allocate Sales Tax Revenue and Transient Occupancy Tax Revenue collected within the Annexation Area; and

(c) to delineate service agreements for that territory depicted in Exhibit "A.3" which will remain in the Unincorporated Island.

Section 3. Exchange of Tax Revenues.

(a) Exchange of Property Tax Revenues. On and after the Annexation Date, the COUNTY and CITY shall exchange Property Tax Revenue as follows:

(i) The weighted average post-ERAF base tax factor for these pooled property tax funds shall be split equally.

(b) Exchange of Sales Tax and Transient Occupancy Tax Revenues. On and after the Annexation Date, CITY shall receive all Sales Tax Revenue and Transient Occupancy Tax Revenue, provided that the COUNTY and CITY shall exchange Sales Tax Revenue and Transient Occupancy Tax Revenue under the following events:

(i) Single Purpose or Regional Tax-Generating Land Use. In the event that the CITY allows a Single Purpose or Regional Tax-Generating Land Use, as defined in Section 1(i) of this Agreement, to conduct business in the Handle, then the COUNTY and CITY shall share equally in all Sales Tax Revenue and Transient Occupancy Tax Revenue generated by such Single Purpose or Regional Tax Generating Land Use.

(ii) Excess retail uses. In the event that the CITY zones in excess of the 11.5 acres of retail land uses in the Handle as described in Section 1(i), then the COUNTY and CITY shall share equally in all Sales Tax Revenue and Transient Occupancy Tax Revenue generated in the Handle during such times when retail zoned land uses exceed 11.5 acres. No retail acres are pre-zoned in the Annexation Area, however, in the event property within the Annexation Area is rezoned, the CITY shall designate the retail area that is in excess of 11.5 acres and provide the COUNTY written notice of said rezone as required in Section 3 (c).

(c) Notice of Rezone Required. If any property within the Annexation Area is rezoned by the CITY from a residential land use to a commercial or industrial land use, the CITY shall provide written notice of such rezoning to the COUNTY within thirty (30) days of the effective date of any such rezoning. The written notice shall identify the location of any property within the Panhandle that constitutes excess retail uses, as defined in Section 3 (b) (ii).

(d) Cessation of Single Purpose or Regional Tax-Generating Land Use. If a change in land use or zoning causes a land use to become a Single-Purpose or Regional Tax-Generating Land Use within the meaning of Section 1(i) and thereby requires the sharing of Sales Tax Revenue or Transient Occupancy Tax Revenue pursuant to subsection (b) above, and a later change in land use or zoning would no longer meet the requirements for tax-sharing under subsection (b), then the sharing of such taxes shall cease under subsection (b)(i) or (ii), as applicable. For example, if an Auto

Dealer goes out of business and is replaced by other retail stores, revenues from those other retail stores would not be subject to tax sharing under subsection (b)(i). On the other hand, if a zoning change increases the cumulative retail land uses from 11.5 acres to 15 acres, that change would trigger tax sharing under subsection (b)(ii); but if a later zoning change reduces the cumulative retail and industrial land uses back to 11.5 acres, that change would trigger cessation of tax sharing under subsection (b)(ii).

Section 4. Distribution of Sales and Transient Occupancy Tax Revenue. CITY shall distribute to the COUNTY the COUNTY'S share of the Sales Tax Revenue and Transient Occupancy Tax Revenue as set forth in Section 5 one hundred and twenty (120) calendar days of the end of the fiscal year.

Section 5. Exchange by County Auditor. COUNTY and CITY further agree that all of the exchanges of Property Tax Revenue required by this Agreement shall be made by the County Auditor.

Section 6. Park District. The Rio Linda-Elverta Recreation and Park District (Park District) shall receive \$2,500 per year from the City's share of existing base tax revenue from the Annexation Area for a period of 5 years. No revenue from the Annexation Area will be distributed to the Park District after the five year period.

Section 7. Services. Within the area of the Unincorporated Island, generally depicted on Exhibit "A.3", the CITY agrees, subsequent to annexation, to provide, at the request of the Sacramento County Sheriff, law enforcement services as may be required at the level of mutual aid; any City police services in excess of mutual aid shall be the subject of a separate agreement.

Section 8. No Opposition. In consideration of the exchange of tax revenue provided for in this Agreement, COUNTY agrees not to oppose the Panhandle Annexation before the Sacramento Local Agency Formation Commission.

Section 9. Dispute Resolution. In the event of any dispute arising out of or relating to this Agreement, the parties shall attempt, in good faith, to promptly resolve the dispute mutually between themselves. If the dispute cannot be resolved within 30 calendar days of initiating such negotiations or such other time period as may be mutually agreed to by the parties in writing, either party may pursue its available legal and equitable remedies, pursuant to the laws of the State of California.

Section 10. Mutual Defense of Agreement. If the validity of this Agreement is challenged in any legal action by a party other than COUNTY or CITY, then COUNTY and CITY agree to defend jointly against the legal challenge and to share equally any award of costs, including attorney's fees, against COUNTY, CITY, or both.

Section 11. Waiver of Retroactive Recovery. If the validity of this Agreement is challenged in any legal action brought by either CITY or any third party, CITY hereby waives any right to the retroactive recovery of any CITY

Property Tax Revenues, COUNTY hereby waives any right to the retroactive recovery of any Sales Tax or Transient Occupancy Tax Revenues, exchanged pursuant to this Agreement prior to the date on which such legal action is filed in a court of competent jurisdiction. The remedy available in any such legal action shall be limited to a prospective invalidation of the Agreement.

Section 12. Modification. The provision of this Agreement and all of the covenants and conditions set forth herein may be modified or amended only by a writing duly authorized and executed by both the COUNTY and CITY.

Section 13. Reformation. COUNTY and CITY understand and agree that this Agreement is based upon existing law, and that such law may be substantially amended in the future. In the event of an amendment of state law which renders this Agreement invalid or inoperable or which denies any party thereto the full benefit of this Agreement as set forth herein, in whole or in part, then COUNTY and CITY agree to renegotiate the Agreement in good faith.

Section 14. Effect of Tax Exchange Agreement. This Agreement shall be applicable solely to the Panhandle Annexation and does not constitute either a master tax sharing agreement or an agreement on property tax exchanges which may be required for any other annexation to the CITY.

Section 15. Entire Agreement. With respect to the subject matter hereof only, this Agreement supersedes any and all previous negotiations, proposals, commitments, writings, and understandings of any nature whatsoever between COUNTY and CITY except as otherwise provided herein.

Section 16. Notices. All notices, requests, certifications or other correspondence required to be provided by the parties to this Agreement shall be in writing and shall be personally delivered or delivered by first class mail to the respective parties at the following addresses:

<u>COUNTY</u>	<u>CITY</u>
County Executive	City Manager
County of Sacramento	City of Sacramento
700 H Street, Room 7650	915 "I" Street, 5th Floor
Sacramento, CA 95814	Sacramento, CA 95814

Notice by personal delivery shall be effective immediately upon delivery. Notice by mail shall be effective upon receipt or three days after mailing, whichever is earlier.

Section 17. Approval, Consent, and Agreement. Wherever this Agreement requires a party's approval, consent, or agreement, the party shall make its decision to give or withhold such approval, consent or agreement in good faith, and shall not withhold such approval, consent or agreement unreasonably or without good cause.

Section 18. Construction of Captions. Captions of the sections of this Agreement are for convenience and reference only. The words in the captions in no way explain, modify, amplify, or interpret this Agreement.

Section 19. Incorporation by Reference. Exhibits A.1 and A.2, attached hereto, are incorporated into this Agreement by this reference.

Section 20. The Parties acknowledge that this Agreement shall not become effective unless the ordinance or resolution approving the contract is approved by a two-thirds (2/3) vote of both the City Council and the Board of Supervisors.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in the County of Sacramento, State of California, on the date set forth above.

<p>(SEAL)</p> <p>ATTEST: _____</p> <p>Clerk of the Board of Supervisors</p> <p>Approved as to form:</p> <p>_____</p> <p>County Counsel</p> <p>(SEAL)</p> <p>ATTEST: _____</p> <p>City Clerk</p> <p>Approved as to form:</p> <p>_____</p> <p>City Attorney</p>	<p>COUNTY OF SACRAMENTO, a political Subdivision of the State of California</p> <p>By: _____</p> <p>County Executive</p> <p>CITY OF SACRAMENTO, a charter city</p> <p>By: _____</p> <p>City Manager</p>
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Attachments:

Exhibit A.1 – Legal Description

Exhibit A.2 - Map of Panhandle Annexation Area

Exhibit A.3 – Map of Unincorporated Area

EXHIBIT "A"

DESCRIPTION OF LAFCO ANNEXATION

All that real property situated in the County of Sacramento, State of California, being Lots 72, 73, 74, 75, 76, 82, 83, 87, 88, 92, 93, 97, and 98 of the Natomas East Side Subdivision, filed in Book 17 of Maps, at Page 34, and a portion of Section 1, Township 9 North, Range 4 East, M.D.M., and a portion of the Northeast One-Quarter of Section 36, Township 10 North, Range 4 East, M.D.M., more particularly described as follows:

Commencing at a 2" brass disk accepted as the Northeast corner of Section 36, Township 10 North, Range 4 East, M.D.M., thence along the northerly line of said Section 36, South 89°38'14" East a distance of 414.00 feet; thence leaving said line South 00°45'09" East a distance of 110.01 feet to the True Point of Beginning; thence from the **TRUE POINT OF BEGINNING** for the following five (5) arcs, courses and distances:

1. South 00°45'09" East a distance of 2533.53 feet to the northeast corner of said Lot 74;
2. South 00°41'24" East a distance of 806.00 feet to a point of curvature;
3. from a radial line which bears South 89°15'52" West, 553.86 feet along the arc of a non-tangent 766.80 foot radius curve to the left through a central angle of 41°23'06" to the southeast corner of said Lot 74;
4. 252.48 feet along the arc of a tangent 766.80 foot curve to the left, having a central angle of 18°51'56"; and
5. South 60°55'54" East a distance of 37.20 feet to an intersection with the City of Sacramento City Limits line and the centerline of Sorento Road;

thence continuing along said centerline and the City of Sacramento City Limits line for the following four (4) courses and distances;

6. South 00°56'09" East a distance of 1155.14 feet;
7. South 00°50'42" East a distance of 2551.31 feet;
8. South 20°11'53" West a distance of 1135.27 feet; and
9. South 13°06'31" East a distance of 1675.45 feet to an intersection with the centerline of Del Paso Road;

thence leaving said City of Sacramento City Limits line and continuing along said centerline of Del Paso Road;

10. South 88°49'34" West a distance of 2606.92 feet to an intersection with the City of Sacramento City Limits line;

thence leaving said center line and continuing along said City of Sacramento City Limits line for the three (3) following courses and distances;

11. North 00°55'12" West a distance of 5289.03 feet to the northwest corner of said Lot 82;

12. North 00°54'45" West a distance of 2655.11 feet to the northwest corner of said Lot 73;
and
13. North 00°30'40" West a distance of 2555.90 feet to the south right-of-way line of Elkhorn
Boulevard;

thence leaving said City of Sacramento City Limits and along said right-of-way line for the
following two (2) courses and distances;

14. South 89°38'14" East a distance of 1246.67 feet;
15. South 89°03'42" East a distance of 995.04 feet; to the Point of Beginning.

Containing 589.415 acres, more or less.

See Exhibit "A-1" plat to accompany description, attached hereto and made a part hereof.

This legal description was prepared by me or under my supervision pursuant to Section 8729 (2)
of the Professional Land Surveyors Act

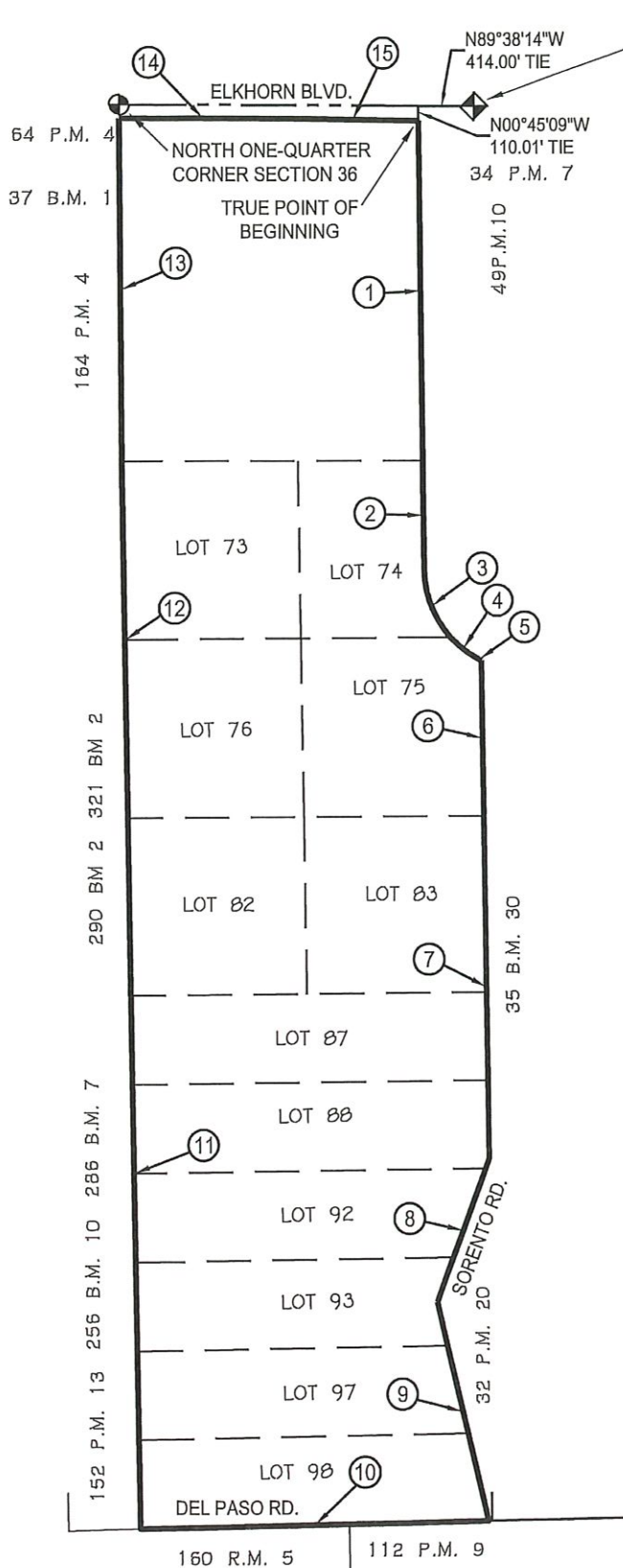


Robert M. Plank, PLS 5760
License Expiration Date: 06-30-18

Date: 05/18/18



Description prepared by:
MACKAY & SOMPS CIVIL ENGINEERS, INC.
1552 Eureka Road, Suite 100, Roseville, CA 95661
P:\27141\OA\SRV\Mapping\Desc\LAFCO BOUNDARY.docx



2" BRASS DISK ACCEPTED AS THE
NORTHEAST ONE-QUARTER OF SECTION 36,
T.10N., R.4E., M.D.M. POINT OF
COMMENCEMENT

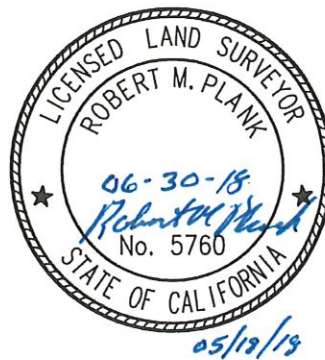
LEGEND



FOUND SECTION CORNER AS NOTED



FOUND QUARTER CORNER AS NOTED



SHEET 1 OF 1

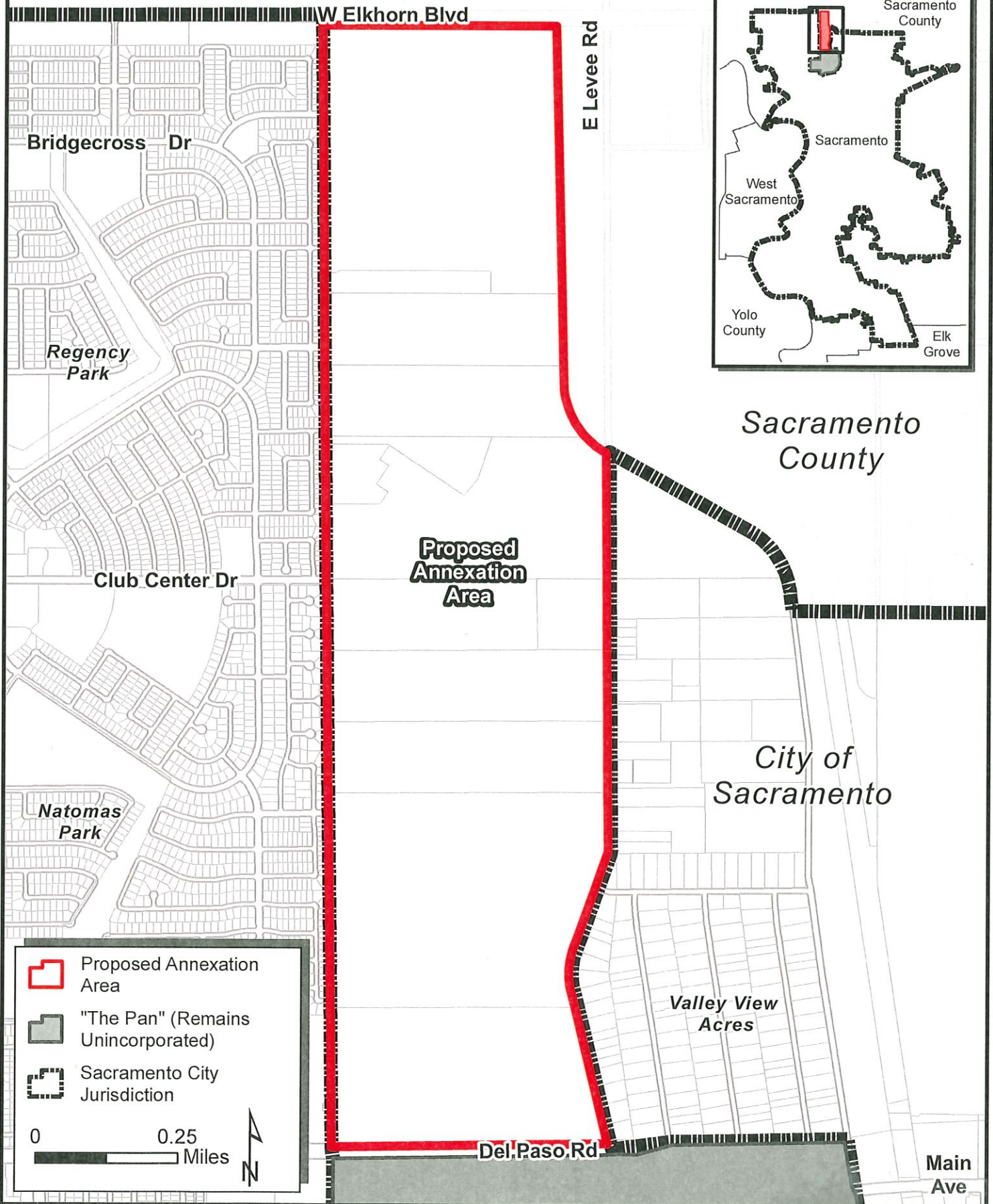
EXHIBIT "A-1"
LAFCO ANNEXATION
THE PANHANDLE
PORTION OF SECTION 1, T. 9 N. R. 4 E., M.D.M.
AND SECTION 36, T. 10 N. R. 4 E., M.D.M.
COUNTY OF SACRAMENTO STATE OF CALIFORNIA

MACKEY & SOMPS
ENGINEERS PLANNERS SURVEYORS
1552 Eureka Road, Suite 100, Roseville, CA 95661 (916) 773-1189

IF A DISCREPANCY EXISTS BETWEEN THIS EXHIBIT AND THE ASSOCIATED DESCRIPTION,
THE DESCRIPTION HOLDS. THIS EXHIBIT IS FOR GRAPHIC PURPOSES ONLY.

BWB	1"= 1/4 Mile	05/18/2018	27141.000
DRAWN BY	SCALE	DATE	JOB NO.

Panhandle Annexation (P16-013)



Panhandle Annexation (P16-013)

**Proposed
Annexation
Area**

Sorento Rd

Valley View
Acres

Del Paso Rd

Main
Ave

E Levee Rd

N Market Blvd

N Freeway Blvd

Northgate Blvd

City of
Sacramento

Sutter County Placer County

Sacramento
County

Sacramento

West
Sacramento

Yolo
County

Elk
Grove

Blackrock Dr

Gateway Park Blvd

Arena
Blvd

Proposed Annexation
Area

"The Pan" (Remains
Unincorporated)

Sacramento City
Jurisdiction

0 0.25
Miles

