

November 2, 2000 (Agenda)

Local Agency Formation Commission  
105 East Anapamu Street  
Santa Barbara CA 93101

## **LAFCO 99-20 - Incorporation Boundaries of the City of Goleta**

Dear Members of the Commission:

### RECOMMENDATION

It is recommended that the Commission:

1. Receive this staff report and accept public testimony regarding proposed boundaries.
2. Direct the staff to evaluate the precise location of the east boundary of study Module A.
3. Postpone until the December 7 LAFCO meeting the selection of boundaries for the Final Comprehensive Fiscal Analysis, thereby allowing an additional opportunity for comments by the public and public agencies and the preparation of a detailed staff recommendation.
4. Direct the staff, in conjunction with the fiscal consultant, incorporation proponents and the County, to evaluate effective fiscal incentives for future annexations to the proposed city.
5. Direct the staff, in conjunction with the fiscal consultant, incorporation proponents and the County, to prepare for Commission review a comprehensive set of terms and conditions.

### DISCUSSION

#### Determination of Incorporation Boundaries

Developing incorporation boundaries is a challenging process. Many interests and factors come into play and must be given appropriate consideration.

At the outset the Commission should recognize that including or excluding specific territory from the proposed city is not just a fiscal or public service decision; it involves diverse factions in the community and, at times, strongly felt views and feelings.

There were 20 speakers at the October 26 public workshop conducted by the LAFCO staff at the Goleta Community Center. Without attempting to repeat the actual testimony that was provided, it is possible to detect specific themes in the comments:

- People are aware that in addition to fiscal feasibility, there is political feasibility. There is a general recognition that political feasibility is as significant or crucial as economic viability to the success of this governmental reorganization.
- Some speakers felt the entire Goleta Valley should be in the city, and that people should not be excluded since the entire area is a cohesive community with common interests and traits.
- Many speakers said that based on the support by voters within its boundaries the *GoletaNow!* proposal should be approved as submitted or with limited changes. They feel that adding the eastern Goleta Valley (93111) or Isla Vista may cause the incorporation to be defeated.
- A related statement voiced by several speakers is that starting a successful city will lead to future annexations of nearby areas, if the voters in those areas want to annex.
- Some speakers supported having Isla Vista, and the University campus in the city. They feel that Isla Vista is an essential part of Goleta, is a unique asset, will bring significant revenues and suffers from an outdated, incorrect image as compared to the realities of today.
- They also noted that sales tax revenues generated in Goleta businesses by Isla Vista residents is a significant figure and should benefit Isla Vista residents also.
- One comment was that by including Isla Vista, the new city may be able to access the Goleta West Sanitary District's significant annual property tax revenues.
- Others see qualitative differences between Isla Vista and the other parts of the Goleta Valley and felt that regardless of other factors including Isla Vista would defeat the incorporation.

During the meeting there were frequent references to prior elections, both to past unsuccessful city elections and to special district board elections for guidance as the likelihood of future ballots.

It is clear that approving a boundary in one location rather than another can achieve some public policy objectives but at the expense of others. The “ideal” boundary for a public service may not be politically palatable. The “ideal” boundary for yet another type of service may be different.

Individuals and community groups relate to local governmental boundaries from their own perspective and interests. In the Goleta Valley many individuals identify with their individual tract or subdivision, which serves to create or enforce bonds of association and identity.

It is LAFCO’s responsibility to determine boundaries and decide who will have the opportunity to vote in the new city. LAFCO’s approval however is not conclusive; the outcome depends ultimately on the voters who participate in the election.

Mandatory findings for incorporations

The Cortese Knox Act creates specific tests for incorporating new cities. These are presented in the form of “findings” that LAFCO must make before approving the incorporation.

- Section 56375.1 states

The commission shall not approve or conditionally approve any proposal which includes an incorporation, unless the commission finds, based on the entire record, that:

- (a) The proposed incorporation is consistent with the intent of this division, including, but not limited to, the policies of Sections 56001, 56300, 56301 and 56377.
- (b) It has reviewed the spheres of influence of the affected local agencies and the incorporation is consistent with those spheres of influence.
- (c) It has reviewed the comprehensive fiscal analysis prepared pursuant to Section 56833.1 and the Controller's report prepared pursuant to Section 56833.3.
- (d) It has reviewed the executive officer's report and recommendation prepared pursuant to Section 56833, and the testimony presented at its public hearing.
- (e) The proposed city is expected to receive revenues sufficient to provide public services and facilities and a reasonable reserve during the three fiscal years following incorporation.

- Section 56845 states:

(b) The commission shall not approve a proposal that includes an incorporation unless it finds that the following two quantities are substantially equal:

(1) Revenues currently received by the local agency transferring the affected territory, which but for the operation of this section, would accrue to the local agency receiving the affected territory.

(2) Expenditures currently made by the local agency transferring the affected territory for those services which will be assumed by the local agency receiving the affected territory.

(c) Notwithstanding subdivision (b), the commission may approve a proposal that includes an incorporation if it finds either of the following:

(1) The county and all of the subject agencies agree to the proposed transfer.

(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.”

Sections 56001, 56300, 56301 and 56377 are “policy” sections in the Cortese-Knox Local Government Reorganization Act, which are enclosed as Exhibit B.

With regard to the fiscal considerations, the Preliminary CFA has been prepared for public review and a Revenue Neutrality Negotiating Committee is discussing mechanisms needed to comply with the requirements of Section 56845.

Pragmatic, practical boundaries – The selection of incorporation boundaries can have a major, even pivotal impact on the likelihood of a successful incorporation, even if it frustrates, at least for some period of time, the goal of including all urban uses in the city. Incorporation is only practical if a majority of the voters in that proposed city vote “yes.”

An approved boundary may not achieve all desired goals or objectives but should represent a practical governmental option for affected voters.

Clear, Understandable Boundaries - City boundaries should be clear and understandable. They should, to the extent feasible, respect neighborhoods, communities of interest and clearly identifiable features and physical boundaries.

Incorporate Now, Annex Later – The proposal before the Commission is to incorporate a city, with the understanding there may be future annexations.

Section 56426.5 states that,

. . . at the time a commission approves a proposal for an incorporation or a reorganization which includes an incorporation, the commission may determine the sphere of influence for the proposed new city. . . the commission shall determine the sphere of influence for any new incorporated city within one year of the effective date of the incorporation.

Excluding some areas from the incorporation does not preclude their future annexation to the city, given sufficient public interest and support. Neighborhoods that in the past expressed little interest or even opposition to being included in a city of Goleta may see things differently once a city exists and has a demonstrated record of providing local services and controls.

Effective Incentives for Annexations – LAFCO can establish terms and conditions that provide fiscal incentives or inducements for the city to annex areas in the future.

It is recommended that the staff be directed, in conjunction with the incorporation proponents and the County to evaluate effective fiscal incentives for annexations to the proposed city.

#### Goleta Valley Fragmentation

There is no general rule about incorporations. In communities that are physically separated from others, it is common for the entire community to be included in the incorporation. A pronounced degree of community identity focuses on the idea of becoming a city, especially if there are no readily available municipal alternatives.

Such incorporations often involve a transition from a special district that is dissolved and replaced by the City, as occurred with the cities of Buellton and Solvang.

The Goleta Valley by comparison is a large area with identifiable sub-areas. Moreover, it is adjacent to an existing city. In addition, the special districts in the Goleta Valley vociferously oppose being dissolved and replaced by a city.

### Unincorporated Areas vs. Unincorporated Islands

When applied to LAFCO proceedings the term “island” has a specific, legal meaning. There have been some arguments that LAFCO cannot exclude areas such as Isla Vista from the proposed city because they would become “islands.” This is not a correct statement.

Section 56109 states that,

. . . territory shall not be incorporated into, or annexed to, a city pursuant to this division if, as a result of that incorporation or annexation, unincorporated territory is completely surrounded by that city or territory of that city on one or more sides and the Pacific Ocean the remaining side.  
(Emphasis added)

Section 56375(o) authorizes islands under specific circumstances by allowing LAFCO to,

. . . waive the restrictions of §56109 if it finds that application of the restriction would be detrimental to the orderly development of the community and that the area that would be enclosed by the annexation or incorporation is so located that it cannot be reasonably annexed to another city or incorporated as a new city.

Therefore, land located between two cities or surrounded by two cities and the ocean is not an “island” as defined by Section 56109. Module B (UCSB/Isla Vista) will not be an unincorporated “island” if left out of the incorporation. It is surrounded by the proposed city, the Pacific Ocean and the City of Santa Barbara.

Likewise, Module C (eastern Goleta Valley) will not be an unincorporated “island” since it is not completely surrounded by the proposed city and the ocean.

### Discussion of Individual Study Modules

The Commission has chosen to study not only the proposed incorporation as submitted by the petitioners but other portions of the Goleta Valley as well. These study modules are discussed briefly below.

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It is emphasized that these modules are for study purposes only. The Commission can adopt incorporation boundaries that differ from the study modules, which will then be the subject of the Final CFA.

- Module A - Goleta *Now!* Proposal

This portion of the western Goleta Valley is bordered by the urban growth line of the Goleta Community Plan on the north, the western edge of the Bacara Resort on the west, UCSB and Santa Barbara Airport on the south and a line based on mailing zip codes on the east.

This is the proposal initiated by the petitioners, plus the Goleta Old Town Redevelopment Project area east of Ward Memorial Boulevard. It includes the Bacara Resort and Venoco oil processing facility, which together comprise the area known as Sub-Module A2.

- Module B - Isla Vista and UCSB

This area is bordered on the north and west by the Goleta*Now!* proposal, on the south by the Pacific Ocean and on the north and east by the City of Santa Barbara.

Module B has sub-areas; one consists of the publicly owned UCSB campus and faculty housing and the other is the private community of Isla Vista. Isla Vista contains a western area that consists predominately of single-family homes and an eastern area composed largely of apartment buildings.

- Module C - Eastern Goleta Valley

This area is bordered on the north by the urban growth line of the Goleta Community Plan, on the east by the City of Santa Barbara's sphere of influence (i.e., Highway 154, the City limits and Hope Ranch), on the south by the Pacific Ocean and on the west by Module A.

While Hope Ranch is considered as part of the Goleta Valley it is within the City of Santa Barbara's sphere of influence and is not considered to be part of Module C.

- Module A-2 - Bacara Resort and Venoco Oil Processing Facility

The Bacara Resort is a world-class tourist resort located within Module A. The resort is projected to generate significant tax revenues in the future. It and the Venoco oil processing facility are identified as Sub-Module A-2.

The Venoco oil processing facility has existed for more than fifty years in its present location. Its location in the proposed city raises the larger question of regulating oil industry-related facilities within the County.



Venoco surfaces not only a fiscal issue but also land use regulation and oversight of existing energy permits. The LAFCO staff has requested from the County an explanation of the permitting and regulating of this facility and its relationship to other oil and gas facilities. We will have more data and a recommendation regarding this issue at the next LAFCO meeting.

#### Eastern Boundary of Module A

Federal mailing regions, known as zip codes, are a convenient means of sorting and delivering mail. Zip codes do not follow and are not necessarily based on local jurisdictional boundaries.

The unincorporated Goleta Valley is divided into multiple zip codes. Two major ones are 93111, Santa Barbara and 93117, Goleta. *GoletaNow!* proponents cite figures that indicate that voters who reside in 93111, whether by circumstance or conscious decision, have historically voted in greater numbers against incorporations of Goleta when compared to voters who reside in 93117.

Reasons attributed for this apparent reluctance include (1) greater “identification” by east Goleta residents with the City of Santa Barbara due to their proximity and Santa Barbara mailing address, (2) a desire to retain an association with Santa Barbara and (3) apprehension of reduced property values if they are no longer identified as being part of Santa Barbara.

For whatever reason, evidence appears to indicate that zip code areas delineate two discernible regions of the Goleta Valley. Incorporation proponents are concerned that including Module C in the proposed city will greatly weaken the likelihood of a successful incorporation, given demonstrated past voting practices.

The location of the line that forms the boundary between Modules A and C may not be in the most appropriate location, based on the criteria noted earlier in this report. We understand that the zip code boundary was located in some places based on specific developments. A close examination shows that the line is not in the most understandable location for the public and public service agencies.

It is recommended that the Commission direct the staff to carefully evaluate the eastern boundary of study Module A to determine if a more logical boundary can be drawn without jeopardizing the political acceptability of the proposed incorporation.

- Southern California Gas Company Property

The Southern California Gas Company owns property that is partly within Module A and partly within Module C, as shown on Exhibit C. It would prefer that its property not be bisected by a city boundary.

The staff will carefully examine this situation and may recommend a specific boundary that places the entire holding either in or out of the proposed city.

- Methods to Create Incentives for Future Annexations

Land uses generate varying degrees of revenues for municipal government and create varying demands for services. Areas that are largely residential or that have high public service costs are not as fiscally attractive for annexations as areas that generate greater per capita revenues.

If the Commission feels urban areas should be in cities, but that including some urbanized areas at the time of the incorporation may jeopardize the opportunity for a successful election, it should consider adopting terms and conditions that provide for the new city financial incentives to annex nearby properties at some time in the future.

Providing fiscal incentives for annexations does not necessarily ensure that annexations will occur, since they require a property tax exchange agreement between the new city and the County and the political support of those within the annexation area. Nevertheless, LAFCO may be able to effectively “set the stage” for potential future annexations, at least with respect to fiscal issues.

Incentives can include withholding revenues that the new city would otherwise receive pending completion of future annexations or other arrangements that work with the revenue neutrality conditions presently being negotiated by the proponents and the County.

It is recommended that the Commission direct the staff, in conjunction with the fiscal consultant, incorporation proponents and the County, to evaluate effective fiscal incentives for future annexations to the proposed city.

Terms and Conditions for the Incorporation

LAFCO’s approval of an incorporation requires a comprehensive set of terms and conditions that address relevant aspects of the new city. These become the incorporation “ground rules” to included in the Commission’s resolution of approval and presented as a package to the voters.

It is recommended that the Commission direct the staff, in conjunction with the fiscal consultant, incorporation proponents and the County, to prepare a comprehensive set of terms and conditions for public review at a subsequent meeting.

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If you have any questions please contact the LAFCO office.

Sincerely,

BOB BRAITMAN  
Executive Officer

Exhibit A Map of Incorporation Study Modules  
Exhibit B Government Code Sections 56001, 56300, 56301 and 56377  
Exhibit C Southern California Gas Company property