



Council Agenda Report

Item 6a

Department: Community Development
Cost Center: 4003
For Agenda of: 4/29/2025
Placement: Consent
Estimated Time: N/A

FROM: Timmi Tway, Community Development Director
and Emily Jackson, Finance Director

Prepared By: Callie Taylor, Senior Planner

SUBJECT: AUTHORIZE A TAX EXCHANGE AGREEMENT WITH THE COUNTY OF SAN LUIS OBISPO TO ADDRESS TAX TRANSFERS FROM SLACK STREET AND HATHWAY DETACHMENT NO. 04 (CAL POLY VISTA MEADOWS)

RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, accepting a negotiated exchange of Tax Revenue and annual tax increment between the County of San Luis Obispo and the City of San Luis Obispo for Detachment #04 (Slack Street and Hathway) from the City of San Luis Obispo."

POLICY CONTEXT

With any change of jurisdictional boundary, a negotiated property tax agreement is required to be approved by Resolution of the affected agencies, which in the case of Detachment No. 04 includes the County of San Luis Obispo Board of Supervisors and the City Council of the City of San Luis Obispo. This process adjusts the Tax Rate Areas associated with the boundary changes of the City and involves the County Auditor/Assessor and the State Board of Equalization. This process must be completed before the Local Agency Formation Commission (LAFCO) application for Detachment No. 04 can be considered by LAFCO, as required by Government Code Section 56810.

DISCUSSION

Background

On November 12, 2024, the City Council approved a street right-of-way abandonment on Slack Street and initiation of a corresponding modification to the City limit line (i.e., detachment) in order to accommodate a faculty and staff housing project (known as Vista Meadows) on the Cal Poly campus. A second detachment area on Hathway was included with the detachment to adjust the City limit line to correct a historical boundary inconsistency at APN 052-082-028, a property which is owned by Cal Poly University and previously developed with campus recreation facilities. The subject areas of the detachment application are shown in Attachment B and Figure 1 below. The Council authorized staff to submit an application for detachment to the Local Agency Formation Commission (LAFCO). The LAFCO detachment application was submitted by the City on December 23, 2024, and is currently being processed.

State law requires that jurisdictions affected by an annexation (in this case, the County, and the City of San Luis Obispo) negotiate an exchange of the taxes paid in the annexation area prior to LAFCO approval of the jurisdictional change.

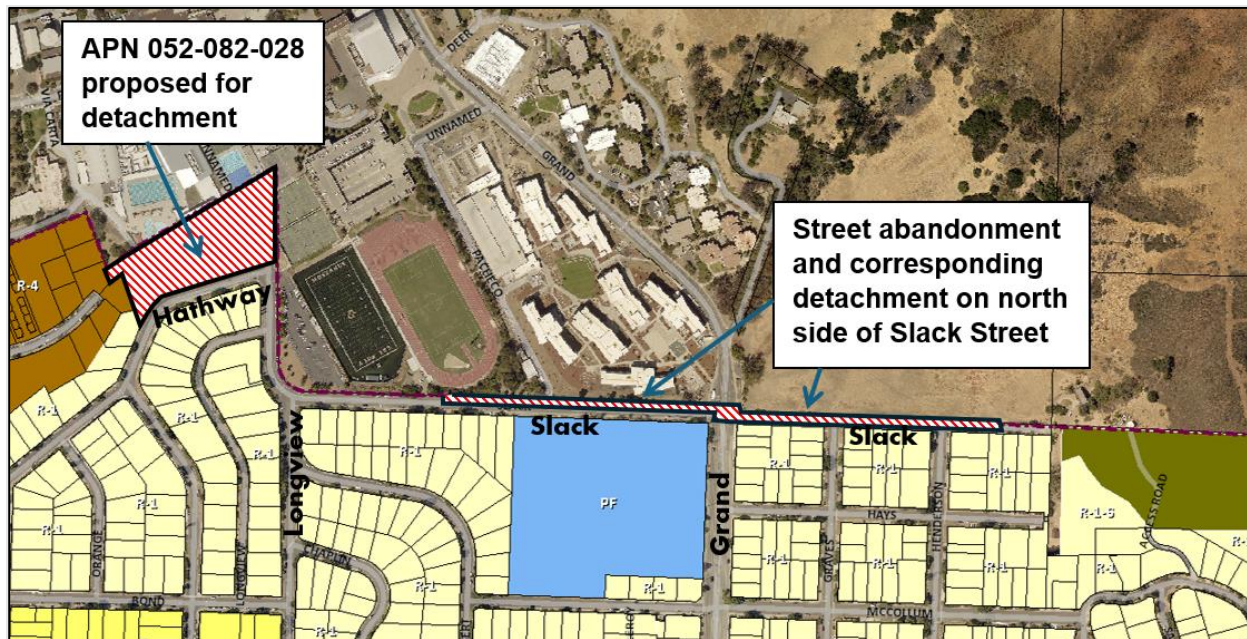


Figure 1: Location of Detachment: Slack Street and Hathway

On January 29, 2025, the County Auditor-Controller provided Notice of Allocation Information pursuant to Revenue and Taxation Code §99(b)(3) for 5-R-24 Detachment No. 04 from the City of San Luis Obispo (Slack Street and Hathway). The Revenue and Taxation Code requires that negotiations be concluded within 60 days, unless extended by mutual agreement between the involved agencies for an additional 30 days, which the County and the City have agreed to. The San Luis Obispo City Council is scheduled to consider the tax exchange agreement on April 29, 2025, within the 90-day timeframe.

Tax Exchange History

In 1996, the City and County adopted a joint resolution, along with several other cities in the County, to establish a county-wide policy regarding tax exchanges. The "master" tax exchange agreement is based on two principles: (1) that the County should not "profit" from annexations, nor should annexations result in a net fiscal loss to the County, and (2), that tax exchange practices should not undermine good land use planning by discouraging cities from pursuing logical and appropriate annexations. These principals serve as the basis for most annexation discussions in the County of San Luis Obispo.

Detachment No. 04 Tax Agreement (Slack Street and Hathway)

The properties proposed for detachment with the current LAFCO application include Slack Street right-of-way along the Cal Poly property frontage and Parcel No. 052-082-028 on Hathway which is currently owned by the State of California. As State owned land, both properties associated with the detachment are exempt from property taxation. The City of San Luis Obispo is currently allocated 14.880123 percent of the property tax generated in the subject property; however, as a State-owned property, no tax is

collected. As shown in the attached draft resolution, the City shall transfer the City's currently allocated percentage of property taxes generated in the subject property to the County of San Luis Obispo.

The areas currently proposed for detachment will remain as State-owned property in perpetuity and therefore do not have potential for current or future sales tax or property tax revenues to either the City or the County. Parcel No. 052-082-028 on Hathway has been developed with Cal Poly student recreational facilities for several decades, including both indoor and outdoor sports courts and swimming pools. The Slack Street right-of-way was approved for abandonment by the City in 2024 in order to facilitate the development of the Vista Meadows faculty and staff housing near the northeast corner of Grand Avenue. A detachment to adjust the City limit line was necessary in conjunction with the right-of-way abandonment because the current City boundary line bisects the new staff housing development, and would create a property with dual jurisdiction if the City limit is not adjusted. Cal Poly University will own the Vista Meadows land and housing units in perpetuity and will lease the homes to faculty and staff. The homes will not be privately owned, and therefore, will not provide any property tax revenues to the City or the County regardless of jurisdiction.

Previous Council or Advisory Body Action

[June 4, 2024](#): Applications to modify the City limit are referred to City Council for initiation and early consideration prior to staff processing the application. At an initiation meeting, the City Council authorized staff to proceed with processing the detachment application to modify the City limit boundary to accommodate a new Cal Poly faculty and staff housing development known as Vista Meadows, as well as other City limit clean-up areas as needed to correct historical jurisdictional boundary crossings around Cal Poly.

[September 25, 2024](#): The Planning Commission reviewed the request and made a determination of General Plan conformity as well as a recommendation to the City Council to approve abandonment of the public right-of-way and to initiate a detachment.

[October 15, 2024](#): City Council adopted a "Resolution of Intention," which set a public hearing at Council for November 12, 2024 to consider a final "Resolution of Abandonment" for portions of Slack Street.

[November 12, 2024](#): City Council adopted a Resolution to Abandon portions of Slack Street to accommodate Cal Poly faculty and staff housing and adopted a Resolution of Detachment to adjust City limit boundaries near Cal Poly (STAB-0038-2024, ANNX-0219-2024).

Public Engagement

At each step in the process for the street abandonment and detachment public hearings, as well as for the current tax exchange agreement review, City staff provided all required notifications in conformance with the Streets and Highways Code and Council noticing policy, including lot postings, legal ads in the newspaper, and neighborhood mailings. For review of the tax exchange agreement, the public has an opportunity to comment on this item at or before the April 29, 2025 City Council meeting.

CONCURRENCE

The negotiated tax exchange agreement has been reviewed by the City Manager, City Attorney, and all applicable City departments including the Finance Department to confirm concurrence.

ENVIRONMENTAL REVIEW

The adjustment of City limits (detachment) at the proposed locations on Slack Street and Hathway qualify for a Class 19 CEQA categorical exemption, which exempts annexations containing existing public structures developed to the density allowed by the current zoning. The Notice of Exemption was recorded and sent to [Governor's Office of Planning and Research \(OPR\) \(SCH number 2025021086\)](#). The negotiated tax exchange agreement is a component of the detachment process. Adoption of the resolution accepting a tax exchange agreement with the County of San Luis Obispo addressing tax transfers from the Slack Street and Hathway detachment areas (Attachment A) is consistent with the Class 19 CEQA categorical exemption, would not result in any physical changes to the environment, and does not require any supplemental or subsequent environmental review.

FISCAL IMPACT

Budgeted: No
Funding Identified: No

Budget Year: 2024-25

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	N/A	N/A	N/A	N/A
State				
Federal				
Fees				
Other:				
Total	\$0	\$0	\$0	\$0

As State owned land, the Slack Street right-of-way along the Cal Poly property frontage and Parcel No. 052-082-028 on Hathway are exempt from property taxation. The City of San Luis Obispo is currently allocated a percent of the property tax generated from the subject property; however, as a State-owned property, no tax is collected. As shown in the attached draft resolution, the City shall transfer the City's currently allocated percentage (14.880123) of property taxes generated by the subject property to the County of San Luis Obispo. As State owned land, no property tax will be collected, and therefore, there is no fiscal impact from the negotiated tax exchange on the subject sites.

ALTERNATIVES

The City Council may direct staff to re-open negotiations with the County with specific negotiating parameters. The extended negotiating period for this annexation will expire on April 30, 2025, and, as a State-owned property, there is no property tax collected and therefore no fiscal impacts would result from an alternative agreement.

ATTACHMENTS

- A - Draft Resolution Accepting County Tax Exchange for Detachment No. 04
- B - Detachment No. 04 Slack Street and Hathway Location Map