CALAFCO University:
NEWPORT COAST AND TALEGA ANNEXATIONS
Pre-Annexation Agreements, Development Agreements, Special Legislation, LAFCO Terms & Conditions, and the Kitchen Sink
August 24, 2009

Themes
- "SynchroDestiny": Alignment, Support, and Win-Win or ... Win-Win-Win-Win
- Break Open the Tool Chest
  Pre-Annexation Agreements Development Agreements
  LAFCO Terms & Conditions JPAAs
  Special Legislation CFDs, CC&Rs, etc.

SynchroDestiny
"Extraordinary coincidences, events, and ideas come into our lives every day, governed by the infinite field of intelligence underlying all creative activity. While most people only see opportunities in hindsight, SynchroDestiny is the ability to recognize and take advantage of the abundant possibilities that always surround us."

www.chopra.com/synchro
Or ...

"Annexations of uninhabited territory is the key to simplicity and harmony."

- Ken Lee

Ripeness

- Uninhabited
- Phased Development
- Political Will and Support
- Backbone
- $$$

NEWPORT COAST ANNEXATION TO THE CITY OF NEWPORT BEACH (2001)
Newport Coast

About the City of Newport Beach

- Incorporated 1906
- Full Service City
- 26 square miles
- 9 miles of ocean frontage
- 2002 Population: 72,622
- 2003 Population: 81,433
- 2009 Population: 86,252

About Newport Coast

- 7,799 acres added to SOL in 1976
- 2001:
  - Population: 7,000
  - 50% Build-Out: 3,000 Res. DUs
  - Median Value: <$1M
- 2010:
  - Population: 11,125
  - 100% Build-Out: 5,150 Res. DUs
  - 2,150 Resort/Hotel Rooms
  - 250,000 SF Retail
  - Two 18-Hole Golf Courses
The Challenges

- County Development Agreement
- Coastal Commission: Certified County LCP but no Certified City LCP
- Existing Special District Water/Sewer Provider collecting property tax
- Orange County Fire Authority
- Active, Vocal, Influential HOA

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**$**

**§9.1H Property Tax Allocation Before Annexation**

- IRWD 47%
- OC Quality 17%
- OC Fire 5%
- County DP 11%
- City & HOA 4%
- OCAF 3%
- $2,663,884

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Tools in the Tool Chest

- AB 8 Property Tax Transfer
- Pre-Annexation Agreements
  - City & IRWD
  - City & OCAF
  - City & HOA
- Infrastructure Buyback
- Development Agreements
  - County & Developer >> City & Developer
- Special Legislation - Coastal Commission
Property Tax

$9.1M Property Tax Allocation Upon Annexation

<table>
<thead>
<tr>
<th>City</th>
<th>Amount</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Newport</td>
<td>$738,253</td>
<td>40%</td>
</tr>
<tr>
<td>County</td>
<td>$832,500</td>
<td>42%</td>
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<tr>
<td>IWO</td>
<td>$4,260,612</td>
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<tr>
<td>TOTAL</td>
<td>$4,224,442</td>
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City & Developer

- County Development Agreement = City Development Agreement
- Minimize risk to developer

City & OCFA

- Transfer of services
- Transfer of Fire Station 52
- One-time payment of $250,000 for development cost of Fire Station 52
  - Remaining cost of development cost paid through CFD
City & IRWD

- IRWD keeps 47% of property tax
- IRWD has exclusive right to provide water, wastewater, and reclaimed water services
- IRWD pays City $25M over six-year period for City “facilities”
  - Approx. six years of annual property tax allocation

City & HOA

- $7M for 22,000 sf community center
- Special community input process >> Special access to City Council
- Mello-Roos “buy-down” through infrastructure “buyback”
  - 15 annual payments of $1.2M to “owners of improved lots” = $18M
- $18M + $7M = $25M

SB 516 – Special Legislation

- Chaptered October 5, 2001
- Without SB 516, land use jurisdiction reverts to Coastal Commission
- Keeps land use jurisdiction with County under County LCP
- Requires City to prepare and submit LCP within 2 yrs
- Support of SB 516:
  - City of Newport Beach [SPONSOR]
  - CA Fire Chiefs Association
  - CA Police Chiefs Association
  - County of Orange, Fifth District
  - Newport Harbor Chamber of Commerce
TALEGANNXATIONS TO THE CITY OF SAN CLEMENTE (2001)

Talega Valley Development

City: 800  1,200
Acres: 1,024  1,400  3,600
Due: 2,699  1,911  4,590

Challenges

- Measure B in 1986
  - Residential slow growth ordinance
  - Residential Development Evaluation Board (RDEB)
  - 500 DU annual limit
Tools in the Tool Chest

- Master Property Tax Agreement
- Development Agreements
- Joint Powers Agreement
- Pre-Annexation Process Agreements
  - City, County, Talega, LAFCO
- LAFCO Terms & Conditions

Development Agreements

- Master Developer: Talega Associates
- Builders: Shea Homes, Lennar Homes, Lyon Homes
- County D.A. and City D.A.

Joint Powers Agreement

- City-County Joint Planning Authority
  - JPA processes and issues permits for unincorporated portions of Talega
  - Not subject to Measure B
  - City as lead agency processes and issues permits on behalf of the JPA
Pre-Annexation Agreement

- 30+ "batched" annexations
  - Application filed by landowner petition
  - Upon Certificate of Sufficiency, building permits may be issued by JPA
  - LAFCO approval with term and condition that ...
  - Prior to recordation, JPA must notify LAFCO that all building permits have been issued
  - Date of recordation is effective date
  - JPA may issue Certificates of Occupancy

Summary

- Ripening takes time
- 360-degree understanding of project's challenges
- Supportive and innovative parties, especially County
- Know your tool chest and pick-and-choose to fit the situation

Contact

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