



Lou Ann Texeira  
Executive Officer

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October 12, 2011 (Agenda)

October 12, 2011  
Agenda Item 9

Contra Costa Local Agency Formation Commission (LAFCO)  
651 Pine Street, Sixth Floor  
Martinez, CA 94553

**Northeast Antioch Monthly Update**

Dear Commissioners:

On February 9, the Commission approved the extension of out of agency service by the City of Antioch and Delta Diablo Sanitation District to the Marsh Landing Generating Station property located in unincorporated northeast Antioch. The Commission’s approval requires that the City and County provide LAFCO with monthly updates regarding the status of the joint City/County Economic Development Strategy for northeast Antioch, the proposed annexation of the area, and the tax transfer negotiations. A subcommittee was formed to address these issues.

LAFCO representatives have participated in the monthly subcommittee meetings since April 2011; and the City and County have provided LAFCO with monthly updates since that time.

At the last subcommittee meeting on August 22, both the fiscal/market analysis and the infrastructure cost analysis related to Northeast Antioch were finalized. With the completion of these analyses, the City and County are prepared to move forward with the property tax exchange discussions. Tom Sinclair, with Municipal Resource Group, LLC, was hired to assist the parties in these discussions. Mr. Sinclair is working individually and collectively with the City and County to identify goals and interests; explore infrastructure funding options; and develop a cash flow model to summarize costs and potential revenue sources. Given the timing of these meetings and discussions, the September subcommittee was cancelled and the group will reconvene in October.

Mr. Sinclair will provide an update to the subcommittee at its next meeting on October 24<sup>th</sup>. Also, City and County staff will report on possible funding opportunities (i.e., grants, additional tax revenue), public health and rental occupancy issues relating to the residential area (Area 2b); and the status of the California Energy Commission conditions of approval relating to the GenOn project. The attached report provides additional information on these issues.

**RECOMMENDATION**

Receive and file the written monthly City/County update, and provide direction as appropriate.

Sincerely,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

Attachment - Monthly Written Update from the City of Antioch and Contra Costa County

To: LAFCO Commissioners

From: Rich Seithel, Contra Costa County; Victor Carniglia, City of Antioch

Date: September 29, 2011

Subject: October Monthly Update on Status of the Northeast Antioch Annexation

Background:

At the August 22, 2011 Annexation Subcommittee meeting the Fiscal Analysis prepared by Keyser Marston and Associates, and the Infrastructure Analysis prepared by Carlson Barbee Gibson were finalized. With the completion of these documents, the City and County have the information necessary to negotiate the terms of a Tax Sharing Agreement. Since the August Subcommittee meeting Tom Sinclair has been meeting with City and County representatives to discuss tax sharing scenarios. While progress has been made in these discussions, given the relatively short time frame between the August and the scheduled September Subcommittee meeting, Mr. Sinclair was not yet in a position to report back issues of substance to the Subcommittee. As a result, Tom Sinclair in conjunction with City and County staff felt the best course of action would be to cancel the September 26, 2011 Subcommittee meeting. Attached is the memo to the Subcommittee addressing the September meeting cancellation.

While Mr. Sinclair is continuing his "shuttle diplomacy" and will be ready to report to the Subcommittee for the October 24, 2011 Subcommittee meeting, City and County staff have been working on a number of annexation related topics that will be agenda items for the October Subcommittee meeting. Those topics are as follows:

- Grant Consultant: Staff has made contact with Dudek. Dudek is an environmental and engineering consulting firm that specializes in securing infrastructure funding for situations similar to those facing annexation Area 2b. These instruments include researching federal and state grants, assessment districts, infrastructure financing districts, and other alternatives that can be employed to fund infrastructure. Dudek is in the process of putting together a proposal to do this work. This proposal will be presented to the Subcommittee on October 24, 2011.
- Potential Public Health Concerns: Annexation Area 2b is not presently served by water and sewer services, consequently properties within Area 2b are on individual well and septic systems. Staff is in the process of meeting with County Environmental Health officials to discuss the need for additional documentation on the condition of well and septic systems in Area 2b and identify potential public health risks as these systems are aging and in many cases have reached their useful lifespan.. This is an important issue for the annexation process given the need to better assess how quickly the infrastructure (e.g. water and sewer systems) needs to be installed to address aging well and septic systems in Area 2b. It is also

important to provide documentation of the condition of well and septic systems, in order to take advantage of any potential grant funding opportunities to provide financing assistance to upgrade the area to public water and sewer systems. A related issue that staff is exploring is the possibility of phasing the installation of the infrastructure, given that the infrastructure analysis prepared to date has identified extension of potable water service as less costly when compared to the extension of sewer service.

- Rental Occupancy: Staff is preparing maps of properties in Area 2b that depict which parcels are owner occupied and which are rentals. In order to better research rental properties, staff is also researching whether an individual/corporation owns multiple properties, and the geographic location of the owners of rental properties. Staff will be presenting this information to the Subcommittee on October 24, 2011.
- California Energy Commission (CEC) Conditions of Approval: As LAFCO members are aware, the CEC has jurisdiction over the permitting of power plants that generate in excess of 50 megawatts. The question was raised at the September 14, 2011 LAFCO meeting about the status of GenOn's compliance with the conditions of approval imposed by the CEC. While this is monitored directly by the CEC, Staff will report on this issue at the October Subcommittee meeting.
- Additional Tax Revenue: Staff is exploring the possibility of additional tax revenue that may be generated by the GenOn Marsh Landing Generating Station (MLGS) relating to the purchase of large pieces of equipment needed to construct the MLGS, such as the gas turbines. Any information uncovered on this topic will be reported to the Subcommittee in October.

Please feel free to contact City or County staff if you have any questions concerning this update.

Attachment: Memo to Subcommittee



## MEMORANDUM

To: Rich Seithel, Senior Deputy County Administrator  
Victor Carniglia, Antioch City Consultant  
From: Tom Sinclair, Municipal Resource Group LLC  
Subject: Northeast Antioch Annexation Project  
Date: September 20, 2011

This Memorandum is intended to provide a status report on the proposed Northeast Antioch Annexation project, identify the next steps in the process of reaching agreement regarding a tax sharing agreement, and to recommend that the September Subcommittee meeting be cancelled.

### Status:

The Keyser Marston Associates analysis of the Property Tax, G-SUR Surcharge Fees and Property Tax In-lieu of Motor Vehicle Fees and the Gruen Gruen + Associates analysis on other General Fund revenues and expenses has provided sufficient information to initiate discussions regarding a tax sharing agreement. As well, the Carlson Barbee and Gibson analysis on potential infrastructure improvements provides a basis for the range of infrastructure costs related to Area 2b.

These studies have been presented to the Subcommittee at recent meetings, and the Subcommittee has developed an understanding of the infrastructure costs and the potential revenues related to existing and future industrial development in the Northeast Antioch Annexation area. The Subcommittee has provided guidance that the infrastructure improvements need to be addressed in a tax sharing agreement.

As you know, we have initiated a series of discussions with City and County representatives, to identify goals, interests and initial positions related to a tax sharing agreement. In addition to an introductory group meeting, several separate meetings have been held with City and County representatives. These initial discussions have been productive in identifying the issues that need to be addressed in a tax sharing agreement, including but not limited to funding for infrastructure improvements and property tax base and tax increment allocation factors. We have begun exploring other potential funding sources, such as redevelopment low- and moderate-income housing funds and Community Development Block Grant funds.

We have also developed an initial cash flow model for the purpose of identifying area-related revenues over the next several years, and potential infrastructure phasing options. This model may be of assistance to the agencies as they consider commitment of funds for the infrastructure improvements.

### Next Steps:

We have scheduled another meeting with City representatives later this week and will meet subsequently with County staff, with the goal of developing initial written proposals for tax sharing and

infrastructure funding. We anticipate that there will be several iterative meetings that follow, as the agencies refine their positions and respond to the other party's issues and concerns.

At this point in time, we believe that discussions to date have been productive. Given the momentum of the discussions and the evolving cash flow scenarios, it does not appear that a presentation to the Subcommittee or additional direction from the Subcommittee will be necessary in September. The Subcommittee's meeting in October will be an important next step in the process, as we would expect to present a status report on the discussions regarding a tax sharing agreement and infrastructure,,as well as, refined cash flow scenarios at the October meeting .