



TITLE

Expanding City Limits Northerly to South Kelly Road

RECOMMENDATION

Take the following actions to expand city limits northerly to South Kelly Road:

1. Adopt a Resolution approving an Urban Limit Line and Regional Housing Needs Allocation Agreement with Napa County.
2. Adopt a Resolution approving the Paoli-Watson Lane Affected Territory Property Tax Sharing Agreement.
3. Adopt a Resolution approving the Hess-Laird Affected Territory Property Tax Sharing Agreement.

CONTACT

Jason Holley, City Manager

BACKGROUND & ANALYSIS

American Canyon has expanded its boundaries five (5) times since incorporation in 1992 through annexations approved by the Napa County Local Agency Formation Commission (LAFCO). Last year, American Canyon updated its General Plan memorializing future growth plans through the Year 2040. In addition, Napa County is in the middle of updating its General Plan.

Last fall, American Canyon applied for LAFCO approval to annex 83-acres of land surrounding Watson Lane (Paoli-Watson Lane Affected Territory or PWLAT). The PWLAT is located within American Canyon's Urban Limit Line (ULL) and Sphere of Influence (SOI) (Attachment 4). The LAFCO Board is scheduled to consider American Canyon's application on June 1.

Earlier this spring, two landowners north of the PWLAT applied for LAFCO approval to annex an additional 281 acres of land (Hess/Laird Affected Territory or HLAT) (Attachment 5). American Canyon's General Plan acknowledges the PWLAT as a future study area as does the Napa County General Plan (Attachment 6). The LAFCO Board is also scheduled to separately consider the property owners application on June 1.

Properties within the PWLAT have a mix of residential and industrial general plan designations, while both properties within HLAT have industrial general plan designation. Both American Canyon's and

Napa County's General Plans plan for the development of these territories in part to help facilitate extension of Newell Drive and S. Kelly Road. Once complete, this roadway network will act like a "Silverado Trail South" for the Napa Valley - functioning as an alternative route to Highway 29. In turn, this new infrastructure will also help Napa County and American Canyon achieve its housing obligations as determined by the Association of Bay Area Government's (ABAG) Regional Housing Needs Allocation (RHNA).

Regional Housing Needs Allocation

As with previous annexations, American Canyon will begin to plan for a portion of Napa County's future RHNA (in addition to its own). This benefits everyone because it helps ensure other unincorporated County lands remain as agricultural and open space free from urban development.

Starting in 2031, the Urban Limit Line and Regional Housing Needs Allocation Agreement (Attachment 1, Ex. A) provides for American Canyon to plan for 15% of the County RHNA through the year 2047 and then 10% thereafter. This additional planning is estimated to be approximately 25 additional dwelling units per year initially and then 15 units per year thereafter.

As noted in staff's update to Council last month, when planning for RHNA in conjunction with the General Plan Housing Element, jurisdictions assume a variety of affordability levels (i.e. moderate, low, very low, etc.) based on specified household incomes. Of note, ABAG approval of RHNA transfers is also required during each housing element cycle.

Lastly, the agreement places the HLAT within a new ULL. Staff recommends Council approve this agreement tonight as the County is scheduled to consider it on May 5.

Property Tax Sharing

As with previous annexations, property tax revenue from the newly annexed lands will be shared.

Once ABAG approves the RHNA transfer, the "Paoli-Watson Lane Affected Territory Property Tax Sharing Agreement" (Attachment 2, Ex. A) provides for American Canyon to receive three-quarters (75%) of the County's allocation for the properties in the PWLAT. Of note, these fifteen properties in PWLAT are already within the American Canyon Fire Protection District (ACFPD) and their property tax allocation remains unchanged.

The "Hess-Laird Affected Territory Property Tax Sharing Agreement" (Attachment 3, Ex. A) provides a comparable mythology, but because the two properties within the HLAT are being added to the ACFPD, so the ACFPD will receive 100% of the County's structural fire property tax revenue. As with all other prior City annexations, the ACFPD will also receive 5% of the County's regular property allocation.

Once ABAG approves the RHNA transfer, then American Canyon will receive three-quarters (70%) of the County's allocation. If development proposals are received that exceed the ACFPD's financial

ability to provide services, then the City and AFFPD will work in concert together to augment revenue sources, but regardless for both territories, the County will retain 25% of their allocation.

Staff recommends Council approve the two tax sharing agreements tonight as the ACFPD Board is scheduled to consider the HLAT agreement on April 28 while the County is set to consider both agreements on May 5. Approval of these property tax sharing agreements is a prerequisite for LAFCO consideration of the two annexations on June 1.

Next Steps

Council action tonight sets the stage for future action by ACFDP, Napa Co. and LAFCO. It is important to note no specific development proposals are being approved tonight. Instead, LAFCO conclusion of the annexation process simply resolves *who* (namely, American Canyon and ACFPD) will decide future development proposals.

COUNCIL PRIORITY PROGRAMS AND PROJECTS

Transportation: "Improve the transportation network within the City to alleviate congestion and enhance the quality of life for the community."

FISCAL IMPACT

Costs for the preparation the city-initialed PWLAT annexation application is included within the FY 2025/26 Budget. There is no cost to the city for the landowner application.

Upon the conclusion of the annexation process, the City will begin to receive property tax revenue in accordance with the property tax sharing agreements.

ENVIRONMENTAL REVIEW

N/A

COMMUNICATION

Level 0: No Further Public Communication Needed

ATTACHMENTS:

1. [Resolution - ULL and RHNA](#)
- 1a. [Exhibit A - ULL and RHNA Agreement](#)
2. [Resolution - PWLAT](#)
- 2a. [Exhibit A - Paoli-Watson Lane Tax Sharing Agreement](#)
3. [Resolution - HLAT](#)
- 3a. [Exhibit A - Hess-Laird Tax Sharing Agreement](#)
4. [PWLAT Map](#)
5. [HLAT Map](#)
6. [General Plan](#)