



TITLE

Expanding City Limits Northerly to South Kelly Road

RECOMMENDATION

Adopt a Clarifying Resolution Amending Resolution 2026-26 to Clarify Scope of the Urban Limit Line and Regional Housing Needs Allocation Agreement with Napa County.

CONTACT

Jason Holley, City Manager

BACKGROUND & ANALYSIS

New Information

Tonight's item clarifies the Council's prior action on April 21 (Resolution 2026-26). Staff recommends the Council adopt the updated resolution (found in Attachment 1.) to clarify a clerical correction to Resolution 2026-26.

Background and History

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 approved 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 sometime in the future.

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 contemplates County support for the HLAT annexation and related expansion of the ULL to include the HLAT in return for specified property tax transfers and a transfer of a portion of the County's future regional housing needs allocation to the City. However, as stated expressly in the City/County Agreement in Section 2, the agreement itself does not approve the City's expansion of the ULL to include the HLAT. The City's approval of an expanded ULL to include the HLAT requires separate, future action by the City as allowed by Resolution 2008-105, adopting an initiative entitled the "City of American Canyon Urban Limit Line and Rezoning Act" and applicable law. The proposed clerical correction resolution adds a recital to the Resolution that approved the Urban Limit Line and Regional Housing Needs Allocation Agreement with Napa County to reflect that the Agreement itself does not approve the expansion of the Urban Limit Line to include the HLAT.

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) 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. Note that LAFCO has also approved the PWLAT annexation at its June 1 Commission meeting.

The "Hess-Laird Affected Territory Property Tax Sharing Agreement" (Attachment 3) 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 clerical clarification resolution to correct the record and ensure all interested parties understand, as was stated previously, that the City and County's approval of the Urban Limit Line and Regional Housing Needs Allocation Agreement under Resolution 2026-26 did not itself approve the expansion of the Urban Limit Line to include the Hess Laird Affected Territory.

Next Steps

Council action tonight sets the stage for future action by ACFDP, Napa Co. and LAFCO, and the City, related to the HLAT. 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

The adoption of this clerical clarification Resolution is exempt from review under the California Environmental Quality Act as CEQA Guidelines Section 15378(b)(5) provide that organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are not subject to CEQA.

COMMUNICATION

Level 0: No Further Public Communication Needed

ATTACHMENTS:

1. Resolution - ULL/RHNA
- 1a. Exhibit A: AGREEMENT 2026-64 - ULL AND RHNA
2. AGREEMENT 2026-65 - Tax Sharing Paoli/Watson
3. AGREEMENT 2026-66 - Tax Sharing Hess Laird
4. PWLAT Map
5. HLAT Map
6. General Plan