County of Monterey

Board Report

Legistar File Number: RES 26-117

Item No.

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

August 11, 2026

Introduced: 7/31/2026
Version: 1
Current Status: Agenda Ready
Matter Type: BoS Resolution

Approve a Property Tax Transfer between the County of Monterey and the City of Gonzales for the proposed "Vista Lucia Reorganization" involving phased annexation of 771 acres to the City of Gonzales and detachments from the Monterey County Resource Conservation District and the Gonzales Rural Fire Protection District.

RECOMMENDATION:
It is recommended that the Board of Supervisors:

Approve a Property Tax Transfer between the County of Monterey and the City of Gonzales for the proposed "Vista Lucia Reorganization" involving phased annexation of 771 acres to the City of Gonzales and detachments from the Monterey County Resource Conservation District and the Gonzales Rural Fire Protection District.

SUMMARY:
The Monterey County Local Agency Formation Commission (LAFCO) is in receipt of a reorganization proposal involving annexation of 771 acres to the City of Gonzales and detachments from the Monterey County Resource Conservation District and the Gonzales Rural Fire Protection District. The proposal cannot be considered by LAFCO until a property tax transfer has been approved by the City of Gonzales (City) and the County.

DISCUSSION:
The Vista Lucia annexation proposes a total of 3,498 residential units and 96,000 square feet of local serving commercial uses. In 2014, the City and the County entered into a "Memorandum of Agreement (MOA) Regarding Cooperation on Planning, Growth and Development Issues". In general, this MOA addresses issues related to the desired eastward direction of growth for the City, as well as issues related to infill development. The MOA preceded the adoption by LAFCO of the City's sphere of influence later in 2014. It is important to note that the proposed Vista Lucia annexation is consistent with the adopted sphere of influence.

Section 8.2 of the MOA contains the following language regarding tax sharing between the City and County: "Unless mutually agreed to otherwise by both parties and to the extent allowed by law, the City and County agree that all local taxes collected from annexation of property not consistent with this Agreement shall not accrue to the benefit of the City. To the extent allowed by law, local taxes collected by the City not consistent with this Agreement shall be distributed in a manner as if the annexed area was not part of the City".

County staff has reviewed the proposed annexation and the terms of the MOA, has consulted with City staff, and recommends the Board approve the property tax transfer and find that the annexation is consistent with the MOA. The City's proposed annexation is consistent with the MOA for the following reasons. The MOA lists agreements for orderly growth and direction of future development, by specifically referencing the Urban Growth Boundary (UBG) and Sphere of Influence (SOI) shown on the map adopted in the City's General Plan and attached as Exhibit A to the MOA (Sections 1 and 2 of the MOA, specifically Section 2.1.a referring to the map). The proposed Vista Lucia annexation is located on the map attached to the MOA as "Fanoe Ranch," which is within the UBG/SOI. This area, east of the developed portions of the City, is recognized as a future development area in the MOA. As such, the Vista Lucia annexation is consistent with the growth boundaries and direction described in the MOA. Since adoption of the MOA and prior to proceeding with the proposed annexation, the City has designated infill opportunities and increased density within the developed boundaries of the City, including areas west of Highway 101, in fulfillment of the commitment to encourage infill before annexing farmlands. This was done in the City's adopted 6th Cycle Housing Element by upzoning existing parcels and adding housing overlay opportunities on properties within existing City boundaries.

Other specific planning actions, including phasing of development, agricultural land compatibility and conservation, and traffic mitigation are addressed in the MOA. The City is proposing the adoption of a phased development through approval of specific plans for two neighborhoods: the "Santa Lucia Neighborhood" and the "Gabilan Neighborhood." Each of these neighborhoods/phases are less than 400 acres in size individually (Section 4.1 of the MOA). None of the development will be south of Gloria Road (Section 3). All applicable traffic mitigation fees will be paid and the County Public Works has been consulted on road improvements and jurisdiction within and adjacent to the project and along Associated Lane (Sections 3c and 7). The project will contain a range of densities (between 3 and 15 units/acre), a variety of commercial, residential, open space, and institutional uses. The design of the neighborhoods incorporates agricultural buffers as shown on the maps in the Specific Plans on file with the City (Section 5.2).

The City has established an Agricultural Land Conservation Program; however, the developer has pursued direct mitigation for agricultural impacts rather than payment of a mitigation fee. The City attached a memorandum to its LAFCO annexation proposal dated February 17, 2026, which describes the developer's efforts to contact and secure easements as direct mitigation on lands adjacent to the City's SOI. This effort is consistent with the intent of the agricultural mitigation commitments in the MOA (Section 6). As proposed, the developer intends to purchase easements on prime farmland located approximately 9 miles from the City limits. While this proposal may satisfy mitigation requirements under the California Environmental Quality Act (CEQA) and LAFCO policies, pursuant to the MOA, the County encourages the developer, the City, and LAFCO to coordinate easements on lands adjacent to the City SOI if possible and where feasible.

Given all of above, as described, the proposal is substantially consistent with the development patterns currently within the City and consistent with the specific planning, phasing, compatibility, and mitigation policies described in the MOA.

Regarding the property tax transfer, the Board of Supervisors has previously adopted a pro forma “fair share” tax transfer resolution. The resolution provides that the County and affected agencies would transfer a percentage of their “tax base revenue” based on the pro rata share of the City’s equivalent tax rate to the combined City/County equivalent tax rates. The formula reflects the County’s loss of property tax revenue that was imposed by the State during fiscal year 1993-94. This is known as “ERAF” or the Education Relief Augmentation Fund”. Non-affected jurisdictions would retain their percentage share of property taxes collected within an affected tax rate area. Of the total amount of property taxes available for distribution, the City of Gonzales would receive 52.15% and the County would receive 47.85%. In addition, the City would receive the entire amount of property tax attributed to the Gonzales Rural Fire Protection District given that the City, upon annexation, would provide fire protection services to the annexed area.

OTHER AGENCY INVOLVEMENT/COMMITTEE ACTIONS:
The City of Gonzales has been consulted during the property tax transfer calculation process prior to completion of the Board report. County departments involved in preparation or review of this report include the Auditor-Controller, Housing and Community Development, and the Office of the County Counsel.

FINANCING:
The reorganization proposal territory is within Tax Rate Area 076-011. This Tax Rate Area has the following property tax increment distribution: 27.72% - Monterey County; 01.5% - affected districts; 70.78% - non-affected districts; 100% - total. Due to property tax revenue reductions imposed by the State on the County of Monterey, the percentage share of existing County property tax available for distribution has been reduced by 40 percent from 27.72% to 16.64%. As recommended, the County would receive 7.96% and the City would receive 8.68% of the amount available for distribution. In addition, the City would receive the entire 01.5% previously allocated to the Gonzales Rural Fire Protection District, for a total allocation of 10.18%. After adding back in the 40% reduction, the County would receive 19.04% of the total property tax collected within the affected area if the reorganization is approved.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

Mark a check to the related Board of Supervisors Strategic Plan Goals:

____ Well-Being and Quality of Life
X Sustainable Infrastructure for the Present and Future
____ Safe and Resilient Communities
X Diverse and Thriving Economy

If it does not fall under any of the above Board of Supervisors Strategic Plan Goals (Other):

____ Administrative

Prepared and approved by: Craig Spencer, Director of Housing and Community Development
Prepared and approved by: Nick Chiulos, Chief Assistant CAO

Attachments:

- Proposed Vista Lucia Annexation Map/LAFCO Approved Sphere of Influence
- Memorandum of Agreement Regarding Cooperation on Planning, Growth and Development Issues
- Draft Resolution

CC:
Carmen Gill, City of Gonzales City Manager
Taven Kinison-Brown, City of Gonzales
Enedina Garcia, Auditor-Controller
Jake Stroud, Treasurer-Tax Collector
Kelly Donlon, Chief Assistant County Counsel
Craig Spencer, Director of Housing and Community Development
Ken Wysocki, LAFCO Executive Officer
Jonathan Brinkman, LAFCO Analyst