



County of El Dorado



City of Placerville

May 24, 2016, Placerville City Council & El Dorado County Board of Supervisors Joint Meeting

Prepared by:

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Item #:

Subject: Receive presentation on potential regional planning and tax sharing in the Greater Placerville Area between the City of Placerville and El Dorado County. Confirm the Purposes and Benefits of a Cooperative Agreement. Appoint a Committee of Two City Council Members and Two El Dorado County Supervisors to work with the consultant.

Background: At the March 22 Placerville City Council meeting and March 22 El Dorado County Board of Supervisors meeting, the Council and Board authorized Staff to initiate a study with El Dorado County and the City of Placerville to explore Land Use Planning and Tax Sharing Options for the Greater Placerville Area.

El Dorado County has substantial commercial development in the Missouri Flat / Hwy 50 area, with more planned. The City of Placerville has some potential for major commercial development at the Placerville Drive/Hwy 50 area. Both of these areas compete against each other. The county and the City are each looking at additional development to benefit their residents and reduce sales tax leakage to other cities and counties.

The purpose of this meeting between the Board of Supervisors and City Council is to:

- Provide guidance to staff on the purpose, content, geography and process for preparing a draft agreement for land use planning and sales tax stabilization.

Some of the fundamental choices for the development of the commercial planning cooperation and sales tax stabilization proposal have been discussed among staff and are presented with our recommendations.

- Discuss options for securing public and stake-holder ideas and advice in the development of the draft cooperative agreement.

A. Confirm Purposes and Benefits of a Cooperative Agreement

Recommendation: Based on the March presentations, we recommend that the Board and Council confirm the following purposes and potential benefits as the primary policy guidance for the development of a draft cooperative agreement:

- *Save taxpayer money*

A cooperative agreement should help save taxpayer money by preventing the building of unnecessary roads, sewers, water lines and other public investments to serve new commercial development while existing commercial buildings and properties are vacant or under-used. This approach will also save taxpayer money needed to provide police and fire protection and other services.

- *Support success of existing businesses*

A cooperative agreement should help provide more stability for existing stores and businesses and avoid diminishing their customers or forcing them out of business because of competition from new stores and other businesses that are made possible because taxpayers will pay for their roads, sewers and other improvements and services.

- *Protect our rural lands and environment*

A cooperative agreement should reflect the high value the residents of our communities place on their quality of life including the rural lands around them. They do not want every highway interchange to become the location for another shopping mall, billboards, gas stations and other development. It makes more sense for our communities to use the vacant land in areas that are already partly developed first, before developing more lands and diminishing our rural character and resources.

- *The City and the County should cooperate instead of competing with each other*

The agreement should increase cooperation between the City of Placerville and El Dorado County, and reduce or eliminate competition for land development. This will provide more stability in local government finances so that we can continue to provide essential services to our residents, like fire and police protection, clean drinking water and sewer disposal, over the long term.

- *Provide greater opportunity for Shared Services between the City and the County.*

A cooperative agreement could address areas where shared services could be expanded to save taxpayer money and provide more efficient delivery of required services.

Scope (Subject Matters of the Cooperative Agreement)

There are many possible subjects of cooperative agreements that could achieve the benefits to taxpayers, businesses and the environment listed above:

- Types of property subject to the agreement: industrial, commercial, residential
- Property taxes
- Sales taxes
- Other taxes (Transient Occupancy Tax)
- Land development for commercial uses (planning, regulation and permitting)
- Provision of infrastructure (e.g., roads, water, sewer) and services (e.g., police and fire protection.)
- Shared Services

We believe that a narrower scope for the project makes it easier to develop and administer a cooperative program. Since there is a direct and dynamic relationship between the planning and permitting of new commercial development and the amount and location of sales tax revenues, those topics are most logically addressed together. This combination of topics also provides the most direct way of considering whether investments in new infrastructure and services for new commercial development are wasteful or productive, and gauge the impact on new businesses, especially small businesses. However, discussion in this area may lead into a likely discussion of other areas noted above.

Although the initial discussion will begin with tax stabilization, tax efficiency, and an environment of cooperation, we have the opportunity to broaden the scope of the cooperative agreement.

Recommendation: For this reason, we recommend that a committee be formed and charged with developing a draft cooperative agreement focused on the following, but with the option to expand to all areas as listed above:

- Sales taxes
- Land use planning and permitting for commercial uses that generate sales taxes

Geography for Tax Stabilization, Tax Efficiency and Planning Cooperation

El Dorado County's and Placerville's residents make purchases over wide areas of the county. This may happen on trips to and from jobs located in cities in different parts of the county or region. It also happens for planned shopping trips to specialized stores or shopping destinations. And of course, many of the purchases made in the County or the City are made by persons who live outside El Dorado County.

That is an argument in favor of including the entire County, or at least the Western Slope, within the scope of this cooperative tax stabilization, tax efficiency and environment agreement.

However, it may be difficult to show that new commercial development in parts of the county more distant from Placerville, or in Placerville but more distant from various other parts of the County, have had a direct and deleterious effect on sales tax revenues.

By contrast, when new commercial development is located near similar commercial development, it is easier to conclude that the new development is drawing off the same customers who patronized the former establishment.

This same geographic area should define the scope of cooperation in the review and approval of new commercial development. A cooperative agreement would require the parties to consider whether new commercial development would destabilize the finances of one of the parties, and whether the construction of new infrastructure and the provision of new services to serve the development would be a good investment of taxpayer dollars. The impact on local businesses and the environment can also be evaluated as part of the planning and permitting process.

Recommendation: For this reason, we recommend that the Board and Council direct the new Committee to focus on an area to be covered by the agreement that consists of Placerville, the Missouri Flat area and other areas that are a short travel time on main roads from Placerville. (Refer to maps)

Effective Date and Triggers for Tax Stabilization

One of the basic questions about cooperative tax stabilization and sharing agreements is when should they go into effect and whether or not there should be specific triggers for implementation.

For example, an agreement could incorporate a base or floor of (sales) tax revenues and include formulas for allocation of amounts in excess of that floor.

Another approach would be to have the cooperative agreement apply only to (sales) tax revenues generated by new commercial development.

A third approach would require a showing of destabilization (that is, the transfer of existing tax revenues between the governments). In the case of Placerville, there is concern that new “big box” development within the County could sharply diminish the City’s revenues and compromise its ability to provide needed services to its residents (who are also residents of the County). A cooperative agreement could be limited to addressing just this situation through a formula that operates automatically based on certain factors, or alternately, by some demonstration of causation.

Recommendation: We recommend that the Board and Council limit the effect of such an agreement to new commercial development and allow it to explore various alternatives within that limitation.

Stabilization Formulas

Related to the question of effective date and triggers is the formula(s) used to determine the amount, and possibly, the use of taxes that are shared subject to the agreement. There is a wide variety of options, including formulas based on infrastructure and service provision obligations or agreements, population growth, contributions to funds for joint projects or programs, or more simply on replacement of lost revenues.

Recommendation: The Board and Council should direct the Committee to develop one or more recommendations on this topic, provided one of the alternatives is narrow, simple, and addresses both communities’ concerns about a dramatic shift in tax revenues as the result of new development.

Committee Makeup:

Staff and the consultant would like direction from the Board and Council on the makeup of the committee to study this issue. This could include Board Members, Council Members, staff and public. It is our recommendation that the Committee consist of two Board Members and two Council Members. Robert Liberty, Urban Sustainability Accelerator Portland State University will lead the study, and County and City Planning and Administrative staff will provide support to the Committee.

Community and Stakeholder Advice and Assistance

Staff and the consultant are seeking the Board and Council’s suggestions on the businesses, business associations, government finance experts, community groups, and nonprofit organizations that could be consulted in the development of the draft tax stabilization and cooperative planning proposal or proposals.

Recommendation:

Confirm the Purposes and Benefits of a Cooperative Agreement and appoint a Committee of Two City Council Members and Two El Dorado County Supervisors to work with the consultant.



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