



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 02/05/2019

ITEM NO: 9

DATE: JANUARY 31, 2019
TO: MAYOR AND TOWN COUNCIL
FROM: LAUREL PREVETTI, TOWN MANAGER
SUBJECT: REVIEW AND PROVIDE DIRECTION REGARDING THE POTENTIAL
ANNEXATION OF CERTAIN URBAN UNINCORPORATED ISLANDS WITHIN
THE TOWN OF LOS GATOS URBAN SERVICE AREA

RECOMMENDATION:

Review and provide direction regarding the potential annexation of certain urban unincorporated islands within the Town of Los Gatos Urban Service Area.

BACKGROUND:

An urban unincorporated island (or pocket) is unincorporated land that is located within a city/town Urban Service Area (USA). The island may be either completely or substantially surrounded by incorporated lands. Even though these islands are completely or substantially surrounded by a city/town, they remain under the land use authority of the County, which is responsible for providing basic urban services. The majority of unincorporated islands in Santa Clara County are a result of urban development policies and practices dating back to the 1950s and 1960s.

The continued existence of these unincorporated islands creates problems for the cities/towns, the County, island residents, adjacent city/town residents, and the various agencies responsible for providing them with urban services and facilities. The existence of urban islands in Los Gatos and elsewhere is inherently inefficient since the provision of services is often provided to the same geographic area by both the Town and the County. In addition, residents in annexed islands receive better neighborhood services, political empowerment, and increased governmental accountability.

PREPARED BY: ARN ANDREWS
Assistant Town Manager

Reviewed by: Town Manager, Chief of Police, Director of Community Development, Director of Parks and Public Works, Director of Finance, and Town Attorney

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BACKGROUND (continued):

Recognizing the inefficiencies associated with the continued existence of urban islands, the California Legislature enacted special legislation in 2001 (Government Code Section 56375.3) that made it easier for local governments to annex small urban pockets within their jurisdictions that were 75 acres or less. The legislation allowed cities/towns to annex unincorporated islands through a streamlined process (Attachment 1) that does not require protest proceedings or elections. This legislation was amended in 2005 to include urban islands that are 150 acres or less.

DISCUSSION:

The Town of Los Gatos currently has 32 urban islands of various sizes within the valley floor and hillsides of the Town. According to a 2015 *Cities Service Review* prepared by the Local Agency Formation Commission of Santa Clara County (LAFCO), Los Gatos has the most unincorporated islands of any other municipality within the County. Of the 32 urban islands, three of them are greater than 150 acres in size and the remaining 29 are smaller than 150 acres. For purposes of this report, only 23 of the 29 urban islands under 150 acres are under consideration at this time (see Attachment 2 for maps). The majority of these islands are on the valley floor and four are adjacent to Blossom Hill Road (technically hillsides). All of these urban islands are either completely or substantially surrounded by the Town. The remaining six are in periphery, hillside locations.

The 23 urban islands consist of approximately 116 acres of which the largest island is 40 acres and the smallest island is 0.1 acres (Attachment 2). The urban islands are comprised of approximately 308 single-family residential parcels with an approximate assessed valuation of \$388,774,653 or an average of \$1,262,255 per parcel. Assuming a household population of 2.2 persons per household, the total additional population is estimated to be 678.

If Council so directs, the Town would initiate the streamlined annexation process for all 23 pockets in consultation with LAFCO and the County. Staff is proposing that this group of annexations be processed together rather than sequentially given available Town staff resources for this work. Following is the outline of the streamlined island annexation process per State Government Code Section 56375.3:

- Conduct community outreach;
- Work with LAFCO and the County to initiate island annexation;
- Conduct public hearing by the Town Council to initiate annexation;
- Conduct public hearing by the Town Council to approve annexation by resolution; and
- Final certification of annexation by LAFCO.

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DISCUSSION (continued):

In addition to the streamlined process, LAFCO is waiving its filing fees for island annexations and the County has agreed to:

- Cover annexation mapping costs, Surveyor's review costs, Assessor's review costs;
- Pay State Board of Equalization filing costs; and
- Budget for needed road improvements in unincorporated islands approved for annexation.

CONCLUSION AND NEXT STEPS:

The Town Council should provide direction regarding the initiation of the annexation of certain urban unincorporated islands utilizing the streamlined process. If Council determines annexation is an endeavor it would like staff to pursue, staff will work with the County and LAFCO to implement a timeline of events consistent with the streamlined annexation process. In addition, staff will develop and initiate a community outreach process, and complete all required public noticing.

COORDINATION:

This report was coordinated with the Town Manager's Office, the Town Attorney's Office, Community Development Department, Police Department, Department of Parks and Public Works, and the Finance Department.

FISCAL IMPACT:

As mentioned in the report, if the Town proceeds to annex the 23 proposed pockets, the Town would receive property tax revenue for these parcels. The Town would have responsibility for providing municipal services to the additional area, including the long-term maintenance of the annexed streets after the County completes repairs as negotiated with the Town. If annexing requires an incremental increase in future staffing to maintain service levels, proposals will be submitted as part of the regular budgetary process.

Attachments:

1. Streamlined Island Annexation Process
2. Maps of the Islands Proposed for Annexation