



AGENDA SUMMARY REPORT

SUBJECT: Re-Adoption of a Resolution Approving a Zero Tax Share Agreement Between the City of Ukiah and the County of Mendocino for the Ukiah Corporation Yard Annexation (1 Carousel Lane), Local Agency Formation Commission (LAFCo) File No. A-2025-06.

DEPARTMENT: Community
Development

PREPARED BY: Jesse Davis, Chief Planning Manager

Jesse Davis, AICP/Chief Planning Manager;

PRESENTER: Craig Schlatter, AICP/Community Development
Director

ATTACHMENTS:

1. 1 Carousel Lane - Tax Share Agreement - LAFCo A-2025-06)
2. Draft Resolution

Summary: Council will consider re-adoption of a resolution approving a Zero Tax Sharing Agreement between the City of Ukiah and the County of Mendocino for the Ukiah Corporation Yard Annexation (1 Carousel Lane), Local Agency Formation Commission (LAFCo) File No. A-2025-06.

Background: On June 30, 2025, the City of Ukiah acquired the property located at 1 Carousel Lane to serve as the City's new Municipal Corporation Yard. The acquisition supports the City's long-term objective to modernize municipal infrastructure and improve service delivery across a regional service area.

The City's existing corporation yard, located east of the Ukiah Municipal Airport, no longer meets operational needs. The facilities are undersized and functionally constrained for Fleet and Plant Maintenance, Street Maintenance, and Water and Wastewater Maintenance activities. As the City and surrounding region have grown, the limitations of the current site have increasingly affected operational efficiency and service capacity. In addition, the corporation yard relocation will free up needed space at the Ukiah Airport to support critical aviation business and emergency operations at the facility.

Although the 1 Carousel Lane property is currently located outside the City's incorporated boundaries, it is centrally located within the service area of the Ukiah Valley Water Authority (UVWA). UVWA is a joint powers authority formed to coordinate regional water system planning, infrastructure modernization, and long-term water supply reliability among its member agencies.

On September 19, 2025, Staff submitted an application to the Mendocino County Local Agency Formation Commission (LAFCo) for the City of Ukiah's annexation of approximately 7.87 acres of City-owned property located at 1 Carousel Lane, Ukiah, California (Assessor's Parcel Number 167-280-15), commonly referred to as the Ukiah Corporation Yard. The annexation has been assigned LAFCo File No. A-2025-06.

The property is improved with an approximately 98,000-square-foot industrial/commercial building and is used primarily for public facilities and municipal operations. Prior to submittal of the annexation application, the site was rezoned by the City as Public Facilities (PF).

Because the property is currently located outside the City's incorporated limits, it remains subject to property

taxation. Upon annexation, City-owned property used exclusively for public and municipal purposes will fall within the City's jurisdiction and will not generate ad valorem property tax revenue, except to the extent that any taxable private possessory interests may exist and continue to lease a portion of the subject property.

As a point of reference, counties and cities in California are generally exempt from paying property taxes on land they own, lease, and use for public purposes. In most cases, California's property tax system is intended to tax private wealth tied to land ownership, not public assets held or used for the benefit of the general public.

This framework recognizes that many public facilities must be located remotely or outside incorporated areas to function effectively. Facilities such as water storage, landfills, wastewater treatment plants, power generation equipment, and similar infrastructure may reasonably be owned and operated by a municipality beyond its city limits.

Conversely, counties often provide social services and other governmental functions within incorporated cities. In those cases, counties typically benefit from streamlined permit review and land use authority within city boundaries. Counties do not pay property taxes on incorporated lands used for public purposes, which can be detrimental to cities by limiting their share of allocated property tax revenue on key parcels, especially in downtown areas.

On February 4, 2026, the City Council reviewed and voted to approve the included resolution. On February 5, 2026, following the meeting, a question was raised regarding whether there was a potential conflict of interest requiring disclosure prior to the vote. In response, Community Development staff, in consultation with the City Manager's Office and the City Attorney, determined that the resolution should be brought back for re-adoption, with any required disclosures of economic interest made on the record before the vote, as will be discussed below under the heading "Government Code § 1099 Conflicts of Interest".

On February 26, City and County staff met in-person to review the Agreement and discuss the property's unique jurisdictional status, public use, possessory interests, and its detached location in the Designated Area. Following that meeting and further consultation with County staff, City staff determined that the City should proceed with re-adoption of the Resolution, which will also allow the County of Mendocino to review and consider the Agreement at a future Board of Supervisors meeting.

The item was originally scheduled for re-consideration on the March 18, 2026, City Council agenda, but was continued due to the unforeseen absence of two council members and the requirement of a two-thirds vote if Council is to approve the item.

Upon approval by both the County of Mendocino, and the City of Ukiah, the adopted resolutions will be forwarded to Mendocino LAFCo for review as part of LAFCo File No. A-2025-06.

Discussion: Government Code § 1099 Conflicts of Interest

For the reasons set forth in the paragraphs below, no Councilmember has a conflict of interest under Government Code § 1090 that would prevent the Council from adopting the Resolution authorizing the Tax Sharing Agreement.

Because the County is a party to the proposed Tax Sharing Agreement, and Councilmember Criss is employed by the County, the Council must consider the application of Government Code § 1090. Section 1090 generally prohibits public officers acting in their official capacities from making contracts in which they are financially interested. Furthermore, when an officer with a disallowed financial interest is a member of a legislative body, the Section 1090 prohibition on contracting also extends to the entire body even if the member recuses themselves from a decision regarding the contract.

There is an exception to Section 1090 in which a public official has a "noninterest" in a contract if her financial interest in that contract is that of a person receiving salary, per diem, or reimbursement for expenses from a government entity, unless the contract directly involves the department of the government entity that employs the officer or employee, provided that the interest is disclosed to the body or board at the time of consideration

of the contract and noted in its official record. (Govt. Code § 1091.5(a)(9).) The California Supreme Court determined that this exception applies when “the contract involves no direct financial gain, does not directly affect the official’s employing department, and is only with the general government entity for which the official works.” (*Lexin v. Superior Court* (2010) 47 Cal.4th 1050, 1081.)

Councilmember Criss has a noninterest under Section 1091.5(a)(9), because the Tax Sharing Agreement involves no direct financial gain to her and does not directly affect her department at the County (the Department of Social Services) as the Agreement is with the County generally. Therefore, Section 1090 would not prohibit Councilmember Criss from participating in making, or the City Council from entering into, the Tax Sharing Agreement because the noninterest exception in Section 1091.5(a)(9) applies, so long as Councilmember Criss discloses her interest in the County to the City Council at the time the Agreement is considered at this Meeting, and her interest is noted in the City Council's official record, i.e. the adopted meeting minutes.

Proposed Tax Sharing Agreement

Under Revenue and Taxation Code § 99, the City and the County are required to enter into a property tax revenue exchange agreement as a component of the annexation application process, even if the associated land is understood to be exempt. The Revenue and Taxation Code further requires that the agreement be approved by the legislative bodies of both agencies and submitted to the Mendocino County Local Agency Formation Commission (LAFCo) prior to commission consideration of the annexation.

Although the City and the County are parties to a previously adopted Mendocino County Master Tax Sharing Agreement, the City has determined that this annexation is more appropriately addressed through a separate, annexation-specific tax sharing agreement. The Ukiah Corporation Yard annexation involves unique characteristics, including City ownership, exclusive public use, and the absence of revenue-generating private development, which make application of the Master Tax Sharing Agreement unnecessary and administratively impractical in this instance.

The proposed Tax Sharing Agreement (Attachment 1) is limited in scope and applies only to the Annexation Area associated with LAFCo File No. A-2025-06. The agreement expressly acknowledges the continued validity of the Mendocino County Master Tax Sharing Agreement and does not amend, supersede, or otherwise affect that agreement or its application to any other annexation or change of organization.

Key provisions of the proposed Agreement include:

- A zero (0) exchange of ad valorem property tax revenue between the City and the County.
- No change to existing tax rate area allocations or base year property tax shares.
- Confirmation that the agreement does not affect the allocation of property tax revenues for any other taxing agency.
- Acknowledgment that any taxable possessory interests within the Annexation Area remain subject to assessment, levy, and distribution in accordance with existing law.
- Consideration of next steps if the public use ceases, consistent with California Government Code requirements.

Because the property is City-owned and used exclusively for municipal purposes, it does not generate Bradley-Burns local sales tax revenue under its current use. Accordingly, no sales tax exchange is required or created by the proposed agreement.

For municipalities across Mendocino County, completing the annexation of key municipal infrastructure sites is essential to reducing the cost of providing public services. This is especially true for facilities that support regional water delivery, such as water storage sites in Fort Bragg or the City of Ukiah’s municipal corporation yard serving the districts of the Ukiah Valley Water Authority. Equally important is streamlining the process for adopting individual tax-share resolutions outside the previously approved master agreement. The long-

standing principle that publicly operated facilities are not subject to property taxes should be recognized promptly by the County to avoid unnecessary administrative delays and minimize costs applied to ratepayers.

Staff recommends that the City Council adopt a Resolution (Attachment 2) approving the Zero Tax Sharing Agreement between the City of Ukiah and the County of Mendocino for LAFCo File No. A-2025-06. Staff further recommends that the City Council authorize the Mayor and the City Manager to execute the Agreement on behalf of the City, and authorize Staff to transmit the Resolution(s) and the executed Agreement to Mendocino LAFCo upon approval by both the County of Mendocino and the City of Ukiah.

Recommended Action: Re-Adopt a resolution approving a Zero Tax Sharing Agreement between the City of Ukiah and the County of Mendocino for the Ukiah Corporation Yard Annexation (1 Carousel Lane), LAFCo File No. A-2025-06.

BUDGET AMENDMENT REQUIRED: N/A

CURRENT BUDGET AMOUNT: \$66,119.77

PROPOSED BUDGET AMOUNT: \$0

FINANCING SOURCE: Water Resources

REVENUE: No **GRANT:** No

PREVIOUS CONTRACT/PURCHASE ORDER NO.: N/A

COORDINATED WITH: City Manager's Office; City Attorney

STRATEGIC PLAN (SP): N/A

GENERAL PLAN ELEMENTS (GP): **LU 7.2** (Annexation); **ED 1.1** (Interagency Coordination)

Approved: 
Sage Sangiacomo, City Manager