

From: Michael Stoltey <Michael@Md3inv.com>
Sent: Thursday, November 6, 2025 1:06 PM
To: Natasha Carbajal
Cc: lafco@sblafco.org
Subject: Request to Continue Richards Ranch Annexation Discussion to December 11, 2025 Meeting in Santa Maria
Attachments: 2025-11-06 - LAFCO Letter Annexation Update - Richards.pdf

Dear Mr. Prater and LAFCO Clerk,

On behalf of **Richards Ranch LLC**, please find the attached letter regarding the County of Santa Barbara's handling of the **Revenue & Taxation Code § 99** property-tax exchange for the **Key Site 26 (Richards Ranch)** annexation.

We respectfully request that:

1. The **“Receive and file report on pending Santa Barbara LAFCO applications”** item be **continued or supplemented** at the **December 11, 2025 meeting in Santa Maria** to allow full consideration of the attached correspondence; and
2. The attached letter be **entered into the administrative record** for that item.

We would also appreciate the opportunity to **speak briefly** at the December meeting to provide context and respond to any questions from the Commission.

Please confirm (i) receipt of this email and attachment, and (ii) whether the continuation and placement for discussion can be accommodated on the December 11 agenda.

Thank you very much for your attention and for the Commission's continued commitment to transparent and orderly annexation review.

Best regards,

Michael D. Stoltey
Managing Member, Richards Ranch LLC

November 6, 2025

To:

Santa Barbara Local Agency Formation Commission (LAFCO)
Attn: Michael Prater, Executive Officer
105 E. Anapamu Street, Room 407
Santa Barbara, CA 93101

Subject: Request for LAFCO Oversight and Review of County of Santa Barbara's Handling of the Key Site 26 (Richards Ranch) Property-Tax Exchange

Dear Chair and Members of the Commission:

On behalf of Richards Ranch LLC, the applicant for the Key Site 26 (Richards Ranch) annexation to the City of Santa Maria, I respectfully submit this letter requesting LAFCO's oversight and review of the County of Santa Barbara's administration of the Revenue & Taxation Code § 99 property-tax exchange process. This is the only active annexation currently before the Commission, yet it has been stalled for several months due to County actions that appear inconsistent with both the letter and intent of state law.

Failure to Comply with R&T Code § 99 Timelines

The County Auditor initiated the § 99 process on March 29, 2025, establishing a 60-day negotiation period—extendable to 90 days—to reach an agreement. Notably, before negotiations even began (on March 20, 2025), the County—in an unprecedented procedural step—requested a 30-day extension prior to commencement. Despite this premature extension, the statutory deadline of June 26, 2025 passed with no executed exchange agreement.

Nevertheless, on July 1, 2025, after the statutory timeline had lapsed, the Board of Supervisors held a hearing directing staff to pursue a series of conditions and requests unrelated to a lawful tax-exchange negotiation, and even authorized additional extensions despite the process already having terminated by law.

These actions conflict with the procedural requirements and legislative intent of § 99 and have materially delayed LAFCO's ability to complete its review and fulfill its duties under the Cortese-Knox-Hertzberg Local Government Reorganization Act.

Extraordinary and Improper County Demands

At its July 1 hearing, drafted and motioned by Supervisor Nelson the, the board directed staff to insist on terms wholly outside the scope of § 99 and without precedent in modern annexation practice, including:

- **Retention of the County Fire District’s 17 % property-tax share post-annexation.** The County justified this by citing resource proximity, Advanced Life Support capability, and its investment in Station 25. Yet this would allow the County to collect revenue for services it will no longer provide—contrary to § 99’s purpose of aligning revenues with service responsibilities. The City of Santa Maria provides adequate coverage for the site, with mutual-aid agreements already in place.
- **Payment of County-level development impact fees and mandatory participation in the County’s Orcutt Community Facilities District (CFD) by future City residents.** This demand has no legal basis under California law. Once property is annexed, the County’s authority to levy development impact fees or require CFD participation terminates by operation of law under the Mitigation Fee Act (Gov. Code §§ 66000–66025) and the Cortese-Knox-Hertzberg Act. Imposing such fees would double-charge new development, is unenforceable, and is inconsistent with § 99, which governs only the reallocation of the 1 % property-tax share—not development exactions.
- **“Rebalancing” of prior City–County tax exchanges to reimburse the County for past agreements.** This concept has no statutory or procedural basis under § 99, which applies solely to the annexation under consideration. Each annexation stands independently; there is no mechanism to retroactively amend or reopen prior tax-exchange agreements. Such actions undermine the predictability of all prior annexations—including Key Site 25 (2008)—and create the appearance that established agreements may be reconsidered based on changing policy priorities.
- **A “reversion-of-jurisdiction” clause returning the property to the County if development does not occur within a specified period.** This seeks to reserve continuing control and a future veto over the project after annexation, directly contradicting state law. Once annexed, the land falls fully under City jurisdiction; any reversion would require a formal de-annexation proceeding under Gov. Code § 56375, not a private condition in a tax-exchange agreement. This proposal would effectively nullify both the City’s planning authority and LAFCO’s approval, and has no precedent in California annexation practice.

- **Regional water-and-sewer MOU requirements and “replacement-commercial-planning” subsidies.** These items fall entirely outside the scope of a property-tax exchange and improperly attempt to use the § 99 process to extract unrelated planning or infrastructure concessions. Such matters should be addressed through interagency coordination or CEQA review—not as prerequisites to a fiscal allocation. Their inclusion transforms a narrow statutory revenue negotiation into a broad policy bargaining exercise, further complicating and delaying LAFCO’s ability to evaluate the annexation.

Each of these conditions conflicts with established annexation norms and with LAFCO’s statutory objective to promote orderly, efficient service delivery. By contrast, the nearly identical Key Site 25 annexation (2008) was completed under a standard § 99 exchange without any of these extraordinary requirements.

Breakdown of Negotiation, Waste of Public Funds, and Rare Escalation

Because of these extraordinary and legally unsupported conditions, negotiations failed, mediation failed, and the matter has now proceeded to arbitration—a step almost never reached under § 99. Statewide data indicates that only a handful of cases have proceeded to arbitration in the past two decades.

This escalation has resulted in a waste of public resources and taxpayer funds, as well as significant loss of time and money for both the property owner and City staff, all over issues that fall outside the legal bounds of the tax-exchange process. The result is the continued stalling of a ready-to-build, fully planned housing project that the County itself cannot serve with water, despite its designation in the Orcutt Community Plan as a future urban site.

This delay prevents LAFCO from performing its statutory role to evaluate the annexation’s merits and effectively turns a procedural tax exchange into a de facto veto of housing growth—at the expense of the public’s need for new homes and the efficient use of public funds. Moreover, the County’s conduct appears inconsistent with the Housing Accountability Act (Gov. Code § 65589.5), which prohibits governmental actions that effectively disapprove or render infeasible housing development. By using § 99 to impose unlawful conditions and delay annexation indefinitely, the County has blocked a viable infill housing project, contrary to state law and statewide housing policy.

Requested LAFCO Actions

We respectfully request that LAFCO:

1. **Formally review** the County's July 1, 2025 directives to determine whether their conditions comply with R&T Code § 99 and established LAFCO policy;
2. **Request recurring public updates** from both the County and the City detailing progress, proposed terms, and any remaining points of dispute; and
3. **Review LAFCO's authority** to proceed with annexation evaluation when statutory deadlines have expired or negotiations appear to have been conducted in bad faith.

If § 99 is applied in a manner that allows indefinite delay or obstruction of annexations, LAFCO's statutory authority is effectively undermined, and annexation control shifts to the County Board of Supervisors—a result the Legislature never intended.

Broader Implications

The misuse of § 99 in this case jeopardizes not only the Richards Ranch project but also the credibility of the annexation framework statewide. The County's actions create potential exposure to litigation from jurisdictions or landowners for failure to comply with statutory timelines or for actions that obstruct housing production under the Housing Accountability Act.

We respectfully urge the Commission to take an active role in restoring statutory compliance, transparency, and fairness to the property-tax exchange process so that LAFCO can evaluate annexations based on planning, service, and public-interest merits.

Thank you for your attention and for your continued commitment to balanced and lawful governance.

Respectfully submitted,

Michael D. Stoltey, MBA

Managing Member, Richards Ranch LLC

Subject: Direction to Staff Regarding Negotiations with City of Santa Maria on Key Site 26 (Richard's Ranch) and Related Annexation Agreements

As the Board considers property tax exchange negotiations between the County of Santa Barbara and the City of Santa Maria regarding Key Site 26, I believe/propose the following priorities and positions should guide staff engagement to ensure fair, balanced, and forward-thinking outcomes. These positions are intended to ensure that annexation discussions are fair, transparent, and aligned with the long-term planning objectives of both jurisdictions. I respectfully request Board direction to staff to pursue negotiations based on these principles.

1. Fire District Retention

Direction: Key Site 26 should remain in the Santa Barbara County Fire Protection District, preserving the existing 17% property tax allocation.

Rationale: Current County resources are closer than City resources, as well as the County provides Advanced Life Support (ALS) in contrast to the City's Basic Life Support (BLS). Station 25, now under development within 400 yards of the project site, represents a substantial County investment intended to serve this area.

2. Development Impact Fees and Community Facilities District (CFD) Participation

Direction: Development impact fees should match County rates and be paid to the County. All new development should be required to participate in the Orcutt CFD, or the City should provide additional equivalent compensation to County for CFD services.

Rationale: The project will utilize county infrastructure and services, necessitating future improvements and expansions. The OCFD is critical to sustaining public safety, library, parks, and road services not fully funded by other tax revenues.

3. Property Tax Equity and Rebalancing

Position: Evaluate past tax exchange agreements to ensure full reimbursement for County services and impacts.

Rationale: Past agreements have disproportionately benefited the City. With changed conditions, it is appropriate to rebalance allocations to reflect service responsibilities.

4. Water and Sewer Services MOU

Direction: Formalize reciprocal policies governing utility service provision between the County and City.

Rationale: Current informal practices disadvantage County commercial projects

while benefiting City expansions. A mutual MOU will ensure consistency and fairness.

5. Replacement Commercial Planning Support

Direction: Annexation should include support for County efforts and funding to designate and plan new commercial zones.

Rationale: Orcutt's plan was carefully crafted to balance land uses. Lost commercial capacity will need to be replaced, likely requiring the conversion of agricultural land.

6. Deed Restriction Resolution

Direction: Discuss existing deed restrictions that potentially inhibit the proposed project before finalizing any negotiations and look at options to resolve.

Rationale: Restrictions currently in place may prevent the project, as envisioned, from moving forward, necessitating significant modifications.

7. Development Timelines and Reversion Clause

Position: Include a clause reverting the property to the County if no development occurs within a reasonable timeframe.

Rationale: Key Site 25 remains undeveloped since its 2006 annexation. This clause ensures productive land use and prevents indefinite stagnation.

8. RHNA (Regional Housing Needs Allocation) Transfer

Direction: Evaluate transferring RHNA obligations to the City as part of the annexation agreement.

Rationale: This approach better aligns housing planning with jurisdictional responsibilities and resources.



COUNTY EXECUTIVE OFFICE

Mona Miyasato, County Executive Officer
Tanja Heitman, Assistant County Executive Officer
Wade Horton, Assistant County Executive Officer

March 20, 2025

Michael Prater, Executive Officer
Santa Barbara Local Agency Formation Commission

Dana Eady, Planning Division Manager
City of Santa Maria Community Development Department

Claudia Ornelas, Property Tax Supervisor
County of Santa Barbara Auditor-Controller

Re: File No. 24-08 Richards Ranch – Annexation to City of Santa Maria

Mr. Prater, Ms. Eady, and Ms. Ornelas,

In the pending matter before the Local Agency Formation Commission (LAFCO) of File No. 24-08 Richards Ranch – Annexation to the City of Santa Maria, the County Executive Office (CEO) intends to extend the period for tax negotiation from 60 to 90 days.

The 90-day time period will begin upon submission of the Auditor’s Reportback, which will likely be submitted to the CEO and LAFCO on Friday, March 28th. In that case, the deadline for completion of the tax negotiation process will be Thursday, June 26th. If further mediation and/or arbitration is required, the deadline for completion could be Monday, August 25th, or afterwards if all parties agree to extend portions of the negotiations.

Code citation:

R&T §99(b)(4) states, “Except as otherwise provided, this negotiation period shall not exceed 60 days. If a local agency involved in these negotiations notifies the other local agencies, the county auditor, and the local agency formation commission in writing of its desire to extend the negotiating period, the negotiating period shall be 90 days.”

Please let me know of any questions or concerns,

Clare Tobin
Legislative Analyst

