

**SECURED PROPERTY TAX REVENUE EXCHANGE AGREEMENT
BY AND BETWEEN
COUNTY OF HUMBOLDT
AND
ARCATA FIRE PROTECTION DISTRICT**

This Agreement, entered into this 10th day of Dec, 2024, by and between the County of Humboldt, a political subdivision of the State of California, hereafter referred to as "COUNTY," and the Arcata Fire Protection District, a political subdivision of the State of California, hereinafter referred to as "DISTRICT," is made upon the following considerations:

WHEREAS, on June 6, 1978, the voters of the State of California amended the California Constitution by adding Article XIII A thereto which limited the total amount of property taxes which could be levied on real property by local taxing agencies to one percent (1%) of full cash value; and

WHEREAS, following such constitutional amendment, the California Legislature added Section 99 to the California Revenue and Taxation Code which requires an exchange of property tax revenues when a jurisdictional change alters the service responsibilities of one (1) or more local agencies; and

WHEREAS, on April 9, 2019, the Humboldt County Board of Supervisors ("Board") adopted a group of strategies and expectations to enable local fire districts to utilize property tax exchange agreements with COUNTY in support of annexation/ formation/ consolidation and a commitment to service delivery in areas outside current district boundaries that included five (5) standardized Tax Exchange Agreement Offers with specific expectations that must be achieved to qualify for a tax exchange offer; and

WHEREAS, on December 12, 2023, DISTRICT formally adopted Resolution Number 23-297, "Resolution of Application by the Arcata Fire Protection District Requesting the Local Agency Formation Commission Take Proceedings for the Annexation of Arcata Fire Protection District Good Will Response Area;" and

WHEREAS, on December 29, 2023, DISTRICT filed an application with the Humboldt Local Agency Formation Commission ("LAFCO") requesting annexation of approximately three thousand five hundred sixty-one (3,561) acres of real property representing DISTRICT's out of district good will fire service response area; and

WHEREAS, on January 19, 2024, COUNTY received a Tax Exchange Agreement Proposal approved by DISTRICT that is consistent with the expectations and commitments outlined in Tax Exchange Agreement Offer 2 of the strategies and expectations adopted by the Board; and

WHEREAS, on March 20, 2024, as part of a noticed public hearing, LAFCO considered, and approved, subject to a publicly noticed protest hearing, DISTRICT's annexation proposal (Resolution No. 24-02); and

WHEREAS, on July 17, 2024, LAFCO confirmed and ordered the annexation after finding insufficient protest (Resolution No. 24-05); and

WHEREAS, on October 8, 2024, DISTRICT formally adopted Resolution Number 2024-319, "Resolution of the Arcata Fire Protection District Authorizing a Secured Property Tax Revenue Exchange Between the Arcata Fire Protection District and the County of Humboldt;" and

WHEREAS, COUNTY will continue to retain all of its service responsibilities in the annexed area despite the jurisdictional change; and

WHEREAS, COUNTY and DISTRICT agree that Tax Exchange Agreement Offer 2, as adopted by the Board on April 9, 2019, represents an appropriate approach to the sharing of real property ad valorem taxes imposed and collected as authorized by Section 99(d) of the California Revenue and Taxation Code in order to encourage fire suppression services.

NOW, THEREFORE, the parties hereby mutually agree as follows:

1. DEFINITIONS:

- A. Secured Property Tax Revenue. As used herein, the term "Secured Property Tax Revenue" shall mean revenue from the one percent (1%) ad valorem tax on real property that is collected from within the Annexation Area pursuant to Section 1 of Article 13A of the California Constitution, is available for allocation to DISTRICT and COUNTY, and is currently allocated to the Humboldt County General Fund.
- B. Annexation Area. As used herein, the term "Annexation Area" shall mean the area described in Exhibit A – Arcata Fire Protection District Annexation Geographic Description, which is attached hereto and incorporated herein by reference as if set forth in full.
- C. Annexation Date. As used herein, the term "Annexation Date" shall mean the date specified by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Sections 56000, *et seq.*) as the effective date of the Arcata Fire Protection District annexation.

2. EXCHANGE OF SECURED PROPERTY TAX REVENUES:

- A. Scope of Exchange. Commencing the first fiscal year following the date the new Tax Rate Areas appear on the State Board of Equalization's Tax Rate Area Chart, the parties hereto shall exchange Secured Property Tax Revenue as follows:
 - 1. DISTRICT shall receive the permanent transfer of Base Property Tax Revenues from COUNTY's share, in the amount of Six Thousand Seven Hundred Twenty-Four Dollars (\$6,724.00), which is equal to fifty percent (50%) of DISTRICT's average tax allocation factor or two point eight four four eight percent (2.8448%), multiplied by the one (1) percent property tax revenue for the current year within the Annexation Area. The property tax revenue generated within the territory subject to the jurisdictional change is estimated at Two Hundred Thirty-Six Thousand Three Hundred Seventy-Five Dollars (\$236,375.00), relating to tax rate areas 001-008, 001-013, 074-003, 074-004, 102-001, 102-005, 102-006 and 102-009, for the current year as required by Revenue and Taxation Code Section 99(b), as provided by the Humboldt County Auditor-Controller.
 - 2. DISTRICT shall receive one hundred percent (100%) of DISTRICT's average tax allocation factor or five point six eight nine six percent (5.6896%) of the Secured Property Tax Revenue attributable only to the change in base value (i.e., property tax growth), using property taxes collected in the applicable Annexation Area during fiscal year 2025-2026 as the anticipated base year from which to calculate the change in base value, and each year thereafter.
 - 3. COUNTY shall receive all of the Secured Property Tax Revenue remaining after the allocation of DISTRICT's share as set forth herein to be allocated to the Humboldt County General Fund.

B. Administration. This exchange of Secured Property Tax Revenue shall be memorialized in the establishment of new tax rate areas by the Board of Equalization with new tax allocation factors administered by the Humboldt County Auditor-Controller.

3. TERMINATION:

This Agreement may be terminated at any time by either party, without cause, upon thirty (30) days advance written notice to the other party. Such notice shall state the effective date of the termination.

4. NOTICES:

Any and all notices required to be given pursuant to the terms and conditions of this Agreement shall be in writing and either served personally or sent by certified mail, return receipt requested, to the respective addresses set forth below. Notice shall be effective upon actual receipt or refusal as shown on the receipt obtained pursuant to the foregoing.

COUNTY: Humboldt County Administrative Office
Attention: Sean Quincey, Deputy County Administrative Officer
825 Fifth Street, Room 112
Eureka, California 95501

DISTRICT: Arcata Fire Protection District
Attention: Eric Loudenslager, President
2149 Central Avenue
McKinleyville, California 95519

5. MUTUAL DEFENSE OF AGREEMENT:

If the validity of this Agreement is challenged in any legal action brought by a third party, COUNTY and DISTRICT shall jointly defend against the legal challenge, and share equally any award of costs, including, without limitation, attorney's fees and other costs of litigation, against COUNTY, DISTRICT, or both. In such cases, each party will bear their own costs and attorney's fees.

6. WAIVER OF RETROACTIVE RECOVERY:

If the validity of this Agreement is challenged in any legal action brought by either DISTRICT or any third party, DISTRICT waives any right to the retroactive recovery of any Secured Property Tax Revenues exchanged hereunder prior to the date on which such action is filed. The remedy available in any such action shall be limited to a prospective invalidation of this Agreement.

7. COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND STANDARDS:

Each party hereby agrees to comply with any and all local, state and federal laws, regulations and standards applicable to the exchange of Secured Property Tax Revenues covered by this Agreement. Each party further agrees to promptly enter into negotiations concerning modification of this Agreement in the event that the amendment of any applicable local, state or federal laws, regulations or standards renders this Agreement invalid or inoperable, either in whole or in part.

8. PROVISIONS REQUIRED BY LAW:

This Agreement is subject to any additional local, state and federal restrictions, limitations or conditions that may affect the provisions, terms or funding of this Agreement. This Agreement shall

be read and enforced as though all legally required provisions are included herein, and if for any reason any such provision is not included, or is not correctly stated, the parties agree to amend the pertinent section to make such insertion or correction.

9. JURISDICTION AND VENUE:

This Agreement shall be construed in accordance with the laws of the State of California. Any dispute arising hereunder, or relating hereto, shall be litigated in the State of California and venue shall lie in the County of Humboldt unless transferred by court order pursuant to California Code of Civil Procedure Sections 394 or 395.

10. MODIFICATION:

At any time after the Annexation Date, the parties hereto may renegotiate the provisions of this Agreement with respect to the current fiscal year or subsequent fiscal years. The terms and conditions set forth herein may be modified or amended only by a writing duly authorized and executed by both of the parties hereto.

11. SEVERABILITY:

If any provision of this Agreement, or any portion thereof, is found by any court of competent jurisdiction to be unenforceable or invalid for any reason, such provision shall be severable and shall not in any way impair the enforceability of any other provision of this Agreement.

12. CONFLICTING TERMS OR CONDITIONS:

In the event of any conflict in the terms or conditions set forth in any other agreements in place between the parties hereto and the terms and conditions set forth in this Agreement, the terms and conditions set forth herein shall have priority.

13. INTERPRETATION:

This Agreement, as well as its individual provisions, shall be deemed to have been prepared equally by both of the parties hereto, and shall not be construed or interpreted more favorably for one (1) party on the basis that the other party prepared it.

14. INDEPENDENT CONSTRUCTION:

The titles of the sections, subsections, paragraphs and clauses set forth herein are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of the provisions of this Agreement.

15. ENTIRE AGREEMENT:

This Agreement contains all of the terms and conditions agreed upon by the parties hereto and no other agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind either of the parties hereto. In addition, this Agreement shall supersede in its entirety any and all prior agreements, promises, representations, understandings and negotiations of the parties, whether oral or written, concerning the same subject matter. Any and all acts which may have already been consummated pursuant to the terms and conditions of this Agreement are hereby ratified.

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16. COUNTERPART EXECUTION:

This Agreement, and any amendments hereto, may be executed in one (1) or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to be one (1) and the same agreement. This Agreement, and any amendments hereto, may be signed by manual or electronic signature in accordance with any and all applicable local, state and federal laws, regulations and standard, and such signature shall constitute original signature for all purposes. A signed copy of this Agreement, and any amendment hereto, transmitted by email or by other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Agreement and any amendments hereto.

17. AUTHORITY TO EXECUTE:

Each person executing this Agreement represents and warrants that he or she is duly authorized and has legal authority to execute and deliver this Agreement. Each party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such party's obligation hereunder have been duly authorized.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first written above.

ARCATA FIRE PROTECTION DISTRICT:

By: Eric Loudenslager
Eric Loudenslager, President

Date: 11/01/2024

COUNTY OF HUMBOLDT:

By: Rex Bohn
Rex Bohn, Chair
Humboldt County Board of Supervisors

Date: 12/10/2024

LIST OF EXHIBITS:

Exhibit A – Arcata Fire Protection District Annexation Description

EXHIBIT A
ARCATA FIRE PROTECTION DISTRICT ANNEXATION GEOGRAPHIC DESCRIPTION

General Description of the Arcata Fire Protection District Annexation. The annexation area totals approximately 3,561 acres and includes:

Area 1 (Lower Fickle Hill) contains the following Sections within Township 5 north, Range 1 east, Humboldt Base and Meridian:

- all of Section 1;
- Section 12, excepting therefrom the southwest $\frac{1}{4}$;
- Section 13, excepting therefrom APNs 404-111-001, 502-071-002, 502-071-003, 502-071-004, and 502-071-005;
- Section 14, excepting therefrom APN 04-011-001, 404-011-010, and 404-011-0124 and the current boundary of the Arcata Fire Protection District within TRA 102-007 and TRA 102-008;
- Section 24, excepting therefrom APN 404-081-004 and the current boundary of the Kneeland Fire Protection District within TRA 074-012 and TRA 102-013; and
- Section 25, excepting therefrom APN 404-071-003 and the current boundary of the Kneeland Fire Protection District TRA within 074-012.

Area 2 (Upper Jacoby Creek) contains the following Sections within Township 5 north, Range 2 east, Humboldt Base and Meridian:

- all of Section 7;
- Section 18, excepting therefrom the southern $\frac{1}{2}$, the southern $\frac{1}{2}$ of the northwest $\frac{1}{4}$, and the southwest $\frac{1}{4}$ of the northeast $\frac{1}{4}$;
- Section 19, excepting therefrom the north $\frac{1}{2}$, the east $\frac{1}{2}$ of the southwest $\frac{1}{4}$, and the southeast $\frac{1}{4}$;
- Section 30, excepting therefrom the northeast $\frac{1}{4}$ of the northeast $\frac{1}{4}$ and the current boundary of the Kneeland Fire Protection District TRA within 074-012; and
- Section 31, excepting therefrom the current boundary of the Kneeland Fire Protection District within TRA 074-012.

The Proposed Arcata Fire Protection District Annexation Area contains the following Assessor's Parcels:

313-203-001
313-203-006
313-203-016
313-203-017
313-214-003
313-214-011
313-214-012
313-214-016
313-214-017
313-214-018
313-214-019
313-214-020
313-214-021
313-214-022
313-214-023
404-011-013
404-061-001
404-061-002
404-071-001
404-071-004
404-071-005
404-081-001
404-081-002
404-081-003
404-101-005
404-101-006
404-101-007
404-101-010
404-101-013
404-101-014
404-101-015
404-101-017
404-101-018
404-101-020
404-101-022
404-101-023
404-101-032
404-101-034
404-101-036
404-101-038
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404-111-006
404-111-008
404-111-009
404-111-010
404-111-011
404-111-012
404-111-013
404-121-015
404-121-016
404-121-021
404-121-029
404-121-030
404-121-038
404-121-039
404-151-001
404-151-005
404-151-011
404-151-012
404-151-013
404-151-022
404-151-025
404-151-027
404-151-028
404-151-032
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404-151-042
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404-151-063
404-151-064
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404-151-071
404-151-072
502-081-002
502-091-002
502-091-003
502-091-007

502-091-011
502-091-013
502-091-015
502-091-016
502-091-018
502-101-003
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502-101-005
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502-111-004