COUNTY OF HUMBOLDT

For the meeting of: 10/20/2026

File #: 26-958

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Consent

Vote Requirement: Majority

SUBJECT:

Secured Property Tax Revenue Exchange Agreements with the Kneeland Fire Protection District and the Ferndale Fire Protection District

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the attached tax exchange agreement proposal submitted by the Kneeland Fire Protection District (Attachment 2); and
2. Adopt the attached resolution authorizing a secured property tax revenue exchange between the County of Humboldt and the Kneeland Fire Protection District (Attachment 4); and
3. Approve, and authorize the Chair of the Board to execute, a secured property tax revenue exchange agreement with Kneeland Fire Protection District that is substantially similar to the attached (Attachment 5); and
4. Approve the attached tax exchange agreement proposal submitted by the Ferndale Fire Protection District (Attachment 6); and
5. Adopt the attached resolution authorizing a secured property tax revenue exchange between the County of Humboldt and the Ferndale Fire Protection District (Attachment 8); and
6. Approve, and authorize the Chair of the Board to execute, a secured property tax revenue exchange agreement with Ferndale Fire Protection District that is substantially similar to the attached (Attachment 9); and
7. Authorize the Auditor-Controller to administer the exchange of secured property tax revenues between the County of Humboldt and all applicable entities, and make technical corrections as needed.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Safe & Healthy Communities
Strategic Plan Category: 1001 -Support and sustain partnerships between public safety and partner agencies to enhance public safety in our communities

DISCUSSION:

Background

On April 9, 2019, staff presented the Humboldt County Board of Supervisors with a report on fire services funding strategies for the County of Humboldt. This report outlined service gaps and funding options for areas located outside the boundaries of any local fire service-related district. These areas face unique challenges as no government agencies are legally responsible for providing structure fire protection to these areas. For that reason, finding a long-term solution for sustaining service delivery to out-of-district areas has

proven a challenge. To address these challenges the Board adopted a group of strategies and expectations to enable local fire service providers to utilize property tax sharing agreements with the County of Humboldt in support of annexation, formation, or consolidation. The strategy included several tax exchange agreement options available through April 9, 2027.

Since 2019, the Fire Services Working Group, consisting of County of Humboldt staff, Humboldt County Fire Chiefs' Association representatives, Local Agency Formation Commission staff, and an ad hoc committee of the Board of Supervisors, currently Supervisors Wilson and Bushnell, worked with local fire service providers to apply the approved strategies to incentivize fire service-related district annexations, consolidations, and formations.

Most of the property tax a property owner pays is a 1% tax on the property's assessed value. That 1% is divided among the local agencies that serve the property, including the county, school districts, fire districts, and others. Each agency's share is known as its "tax allocation factor," or TAF. For example, a fire district with a 5% tax allocation factor receives roughly five cents of every property tax dollar collected within its boundary. These shares were established based on the revenue each agency was receiving when Proposition 13 passed in 1978, and they can vary from one area to another. Districts formed after 1978, such as the Kneeland Fire Protection District, have no share of the 1% tax. A tax exchange agreement is the mechanism by which the county transfers a portion of its own share to a district that has none, or to a district annexing territory in which it would otherwise receive little or nothing. The transfer can apply to the "base" (the property tax already being collected in the area today) and to "growth" (the additional property tax generated in future years as assessed values rise). Under the agreements proposed here, the county keeps everything it receives today from the Kneeland area and gives Kneeland Fire Protection District (KFPD) a 3% share of future growth only. For Ferndale, the county transfers half of Ferndale Fire Protection District's (FFPD) tax allocation factor on the base and the full factor on future growth, so the district's revenue from the annexation area increases as assessed values in that area increase. The estimates provided here are calculated before the "Educational Revenue Augmentation Fund (ERAF) shift," the state-required transfer of a portion of local property tax to schools, so the amounts actually received by the county and fire districts may be somewhat lower than shown.

Kneeland Fire Protection District

KFPD submitted an application by resolution to the Humboldt Local Agency Formation Commission (LAFCo or Commission) to annex approximately 58,786 acres (486 parcels) within the district's established goodwill response area. The annexation area includes Butler Valley, portions of Maple Creek, Mountain View, Kneeland Road, Showers Pass, and Upper Fickle Hill. The proposal sought to formalize service boundaries for areas that had been receiving fire protection and emergency response services on an informal basis, consistent with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and its goals of promoting logical service boundaries and efficient service delivery.

KFPD requested annexation be conditioned upon the district's voter-approved special tax to be extended to all parcels within the expanded boundary to support sustainable fire protection and emergency services. This special tax, approved by KFPD voters in November 2024 (Measure D), repealed and replaced prior special taxes approved in 1990 and 2014 and established updated parcel rates, including $100 for vacant parcels, $180 for improved parcels, $220 for contiguous vacant parcels under common ownership, $300 for commercial and industrial parcels, and $250 for multi-family parcels. The measure also includes a hardship exemption process for qualifying low-income landowners.

On May 21, 2025, LAFCo held a duly noticed public hearing and conditionally approved the KFPD Sphere of Influence Amendment and Goodwill Annexation under Resolution No. 25-03. Within the statutory 30-day period, a request for reconsideration was submitted on behalf of Humboldt Redwood Company (HRC), asserting that inclusion of its commercial timberland parcels within the State Responsibility Area (SRA) was unlawful under Health and Safety Code §13811. The Commission subsequently held a reconsideration hearing on Aug. 20, 2025, and continued the matter to allow for additional deliberation, legal consultation, and public input, including a closed session on Sept. 3, 2025, to discuss potential litigation exposure.

Following continued public hearings and deliberation through Sept. 17, 2025, the Commission approved the request for reconsideration, thereby excluding all 17 HRC parcels from the annexation. In doing so, the Commission rescinded Resolution No. 25-03 and approved a modified annexation under Resolution No. 25-06. The Commission also amended the district's Sphere of Influence to include the full goodwill response area (inclusive of excluded parcels) and directed staff to pursue potential legislative clarification regarding the applicability of Health and Safety Code §13811 to exclude commercial timberlands within SRA from fire protection district boundaries.

Similar to other fire-related goodwill annexations that have been processed in recent years, the KFPD annexation was not proposed or intended to accommodate new development but rather to align the district's jurisdictional boundary with areas already receiving service and to support the long-term sustainability and improvement of fire protection and emergency response services.

Subsequent to annexation approval, a statement of boundary change filing was submitted to the State Board of Equalization and a Tax Rate Area Change Notice has been processed for the KFPD annexation area.

Since KFPD was formed in 1990 (post-Proposition 13), the district does not receive a share of the 1% property tax and therefore relies on special taxes, grants, reimbursements, and community support. Following approval of the goodwill response area annexation, KFPD has been diligently working toward qualifying for Tax Exchange Agreement Offer No. 4 and submitted a proposal outlining how it will meet the county's established expectations.

Under offer No. 4, which applies to post-Proposition 13 districts, the county would transfer to KFPD a share of future property tax growth based on a 3% tax allocation factor (TAF) within both the existing district boundary and the annexation area. No existing or base property tax revenue would be transferred. Because the annexation becomes effective in fiscal year (FY) 2026-27, that fiscal year would establish the base year assessed value against which future property tax growth is measured. Accordingly, KFPD would first receive property tax revenue under the agreement in FY 2027-28.

If the Humboldt County Board of Supervisors elects to enter into a secured property tax revenue exchange agreement based on Offer No. 4 with KFPD, the following estimates would apply:

- Base Transfer: There would be no base transfer from the General Fund. FY 2026-27 would serve solely as the base year for calculating subsequent property tax growth.
- Tax Increment or Growth: Beginning in FY 2027-28 (the first fiscal year after the annexation is effective), staff estimates that the pre-ERAF (Educational Revenue Augmentation Fund) share of property tax growth, that would have gone to the County General Fund but instead will go to the KFPD, will be approximately $1,319. Actual property tax received by KFPD will be subject to the applicable ERAF adjustment and may therefore differ from the amounts shown. The amount of property tax growth allocated to KFPD, which would have previously gone to the General Fund, is expected to increase each year thereafter as total assessed value grows over time.

These estimates are presented on a pre-ERAF basis. Actual property tax revenue received by KFPD will be subject to the applicable ERAF adjustment and may therefore differ from the amounts shown.

If the attached secured property tax revenue exchange agreement with KFPD is approved and executed, and all other conditions met, the agreement would not include a base property tax transfer. Instead, FY 2026-27 would establish the base year, and beginning in FYr 2027-28, KFPD would receive a share of annual property tax growth equivalent to 3% within both the existing district and annexation area, contingent upon execution of the agreement.

Based on the information provided in this report and associated attachments, staff recommends that the Board take the recommended actions to ensure continued and sustainable community fire and rescue services within KFPD's entire expanded district area.

Ferndale Fire Protection District

The Ferndale Fire Protection District (FFPD) held a public hearing on Jan. 12, 2026, and adopted a Resolution of Application (Resolution No. 2026-02) requesting that the Humboldt Local Agency Formation Commission (LAFCo or Commission) initiate annexation proceedings for adjacent unincorporated territory that has historically been served by FFPD on a goodwill response basis. The proposed annexation area encompasses approximately 45,456 acres (316 parcels) located east, south, and west of Ferndale, including the Capetown, Upper Bear River Road, and Bunker Hill Road areas.

LAFCo consideration of the annexation is expected to occur in close coordination with FFPD's efforts to secure voter approval of a new special tax at the Nov. 3, 2026, election. Initial estimates indicate that, if approved, the special tax would generate approximately $116,500 annually in revenue within the existing district and annexation area, including approximately $106,000 from properties within the existing district and approximately $10,500 from properties within the proposed annexation area. The measure would repeal and replace FFPD's existing assessment, which currently generates approximately $33,000 annually within the existing

district. The proposed special tax includes an annual inflationary adjustment provision and hardship exemption process for qualifying low-income property owners.

Revenue generated through the proposed special tax, together with the Property Tax Exchange Agreement, would provide a reliable and sustainable funding source to support FFPD's long-term service objectives within both its existing territory and the proposed annexation area. FFPD has identified the special tax as its preferred funding strategy to support the annexation. However, because approval of the special tax requires a two-thirds vote of the electorate, the outcome remains uncertain, and FFPD may need to rely on expanding its existing assessment to the annexation area as a fallback funding mechanism.

The annexation is not proposed to accommodate new development. Rather, it is intended to align FFPD's jurisdictional boundaries with the areas that are already receiving fire protection services through FFPD's longstanding goodwill response, while securing the revenue needed to support and sustain those services. Together, the annexation, new special tax (or expanded assessment), and Property Tax Exchange Agreement would result in a long-term, community-based, and locally controlled revenue source for fire protection services throughout the entire expanded FFPD boundary.

FFPD has been working towards qualifying for Tax Exchange Agreement Offer No. 2 and has submitted a proposal outlining how it will satisfy all associated expectations. If approved, Offer No. 2 would provide for the transfer of a portion of the county's property tax revenues generated within the annexation area, consisting of fifty percent (50%) of FFPD's property tax allocation factor for the base property tax revenue, and one hundred percent (100%) of FFPD's tax allocation factor for future growth in assessed value following annexation.

If the Humboldt County Board of Supervisors elects to enter into a secured property tax revenue exchange agreement with FFPD based on Offer No. 2, the following estimates would apply:

- Base Transfer: Based on the total assessed value of land and improvements within the annexation area, as provided by the County Assessor, a total of $444,776.00 in annual property tax revenue will be generated from the area in question.
    - Of that amount, the County of Humboldt would transfer a total of $11,733.00 in base property tax revenue to FFPD beginning in fiscal year 2027-2028. This amount represents fifty percent (50%) of FFPD's average tax allocation factor within the annexation area, equivalent to approximately 2.638% of the property tax generated in the affected territory. The $11,733.00 represents the initial base-year transfer and would thereafter become part of FFPD's ongoing property tax allocation base.
- Tax Increment (Growth): In each fiscal year thereafter, FFPD would continue to receive the transferred base amount and would receive its full property tax allocation factor of approximately 5.276% of any annual growth in assessed value within the annexation area.

These estimates are presented on a pre-ERAF basis. Actual property tax revenue received by FFPD will be subject to the applicable ERAF adjustment and may therefore differ from the amounts shown.

If the attached secured property tax revenue exchange agreement with FFPD is approved and executed, and all other conditions of approval are satisfied, the property tax transfer would become effective beginning in FY 2027-28. The intent is to have an executed property tax exchange agreement with the county in place prior to LAFCo approving the annexation, consistent with Revenue and Taxation Code Section 99(b).

Based on the information provided in this report and the accompanying attachments, staff recommend that the Board approve the recommended actions to support the continued delivery and long-term sustainability of community-based fire protection and emergency response services within FFPD's proposed annexation area.

SOURCE OF FUNDING:
Secured Property Taxes (101117)

FINANCIAL IMPACT:

Expenditures (1100-888)	**FY26-27**	**FY27-28 Projected***	**FY28-29 Projected***
Base Transfer and Increment (Kneeland)	$0	$1,319.00	$2,671.00

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Base Transfer and Increment (Ferndale)	**$0**	**$11,733**.00	**$12,320.00**
Total Expenditures	$0	$13,052.00	$14,991.00

**Projected amounts are estimates and are subject to change.*

Funding Sources (1100-888)	**FY26-27**	**FY27-28 Projected***	**FY28-29 Projected***
General Fund	$0	$13,052.00	$14,991.00
Total Funding Sources	$0	$13,052.00	$14,991.00

**Projected amounts are estimates and are subject to change.*

The financial impacts to the General Fund are estimated as follows:

Kneeland Fire Protection District:

- There would be no base transfer from the General Fund. FY 2026-27 would serve solely as the base year for calculating subsequent property tax growth.
- Staff estimates that, beginning in FY 2027-28 (the first fiscal year after the annexation is effective), the pre-ERAF share of property tax growth that would have gone to the county General Fund but instead will go to the KFPD, will be approximately $1,319 and the amount of property tax revenue growth received by the KFPD, which would have previously gone to the General Fund, would likely increase each year thereafter. In FY 2028-29, an additional $1,352 in annual growth is projected. The amount allocated to KFPD is expected to increase over time as assessed value grows.

Ferndale Fire Protection District:

- A base property tax transfer of $11,733 from the County of Humboldt to FFPD would occur beginning in FY 2027-28, representing an initial pre-ERAF base-year transfer and would become a permanent part of FFPD's property tax allocation base thereafter.
- Staff estimates that, beginning in Fiscal Year 2028-29 (the first fiscal year after the annexation is effective), approximately $587 in pre-ERAF property tax growth (tax increment) that would otherwise have been allocated to the County General Fund would instead be allocated to FFPD. As assessed values within the annexation area continue to increase over time, the amount of annual property tax growth allocated to FFPD is also expected to increase.

Cumulative Initial Financial Impact:

The April 19, 2019, agenda item report stated that the total maximum estimated initial impact on the General fund, if all the proposed changes were to take place at one time, would be $460,000. To date, the Board of Supervisors has approved four property tax agreements consistent with the 2019 policy:

1. Rio Dell Fire Protection District annexation/consolidation (base transfer of $43,544) and growth in first year approximately $900; and
2. Garberville Fire Protection District annexation/consolidation (base transfer of $208,231 and growth in first year approximately $6,750); and
3. Salmon Creek Fire Protection District formation (base transfer $0) and growth in first year approximately $440); and
4. Arcata Fire Protection District annexation (base transfer of $6,724) and growth in the first year, approximately $350).

With the addition of the KFPD (base transfer $0) and growth in first year approximately $1,319 and FFPD (base transfer of $11,733) and growth in the first year, approximately $587, the total cumulative impact would equal $280,578 (sum of base and growth after year 1). This represents 61% of the total maximum estimated initial impact referenced above.

STAFFING IMPACT:

Narrative Explanation of Staffing Impact:
The recommended actions will not impact current staffing levels. However, ongoing work related to future property tax agreements with fire districts will likely be funded by Measure Z and carried out by County of Humboldt staff and other local agencies.

OTHER AGENCY INVOLVEMENT:

Humboldt Local Agency Formation Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:
The Board may choose not to take the recommended actions. However, this alternative is not recommended as the benefits in the proposed actions will have for sustaining critical community emergency services and public health and safety for citizens of Humboldt County.

ATTACHMENTS:
1. Summary of Board Approved Tax Exchange Agreement Offers
2. Kneeland Fire Protection District Tax Exchange Agreement Proposal
3. Resolution of the Kneeland Fire Protection District Authorizing a Secured Property Tax Revenue Exchange Between the Kneeland Fire Protection District and the County of Humboldt
4. Resolution Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and the Kneeland Fire Protection District
5. Secured Property Tax Revenue Exchange Agreement with the Kneeland Fire Protection District
6. Ferndale Fire Protection District Tax Exchange Agreement Proposal
7. Resolution of the Ferndale Fire Protection District Authorizing a Secured Property Tax Revenue Exchange Between the Ferndale Fire Protection District and the County of Humboldt
8. Resolution Authorizing a Secured Property Tax Revenue Exchange Between the County of Humboldt and the Ferndale Fire Protection District
9. Secured Property Tax Revenue Exchange Agreement with the Ferndale Fire Protection District

PREVIOUS ACTION/REFERRAL:
Meeting of: April 9, 2019
File No.: 19-501