

**American Canyon Agreement No. \_\_\_\_**  
**Napa County Agreement No. 260378B**  
**Property Tax Sharing Agreement**

**for the**

**Paoli-Watson Lane Affected Territory**

This Property Tax Sharing Agreement (this “Agreement”) is made and entered into as of \_\_\_\_\_, 2026 (“Effective Date”) by and between the County of Napa, a political subdivision of the state of California (“County”); and the City of American Canyon, a municipal corporation (“City”)(collectively, “Parties”).

**RECITALS**

A. The Local Agency Formation Commission of Napa County (“LAFCO”) has received an application from the City for annexation of the “Paoli-Watson Lane Affected Territory” (PWLAT), consisting of approximately 74.6 acres and collectively comprised of the following fifteen (15) APNs as more fully depicted in Exhibit “A”:

1. 057-120-014
2. 057-120-015
3. 057-120-017
4. 057-120-034
5. 057-120-036
6. 057-120-047
7. 057-120-048
8. 057-120-049
9. 057-120-028
10. 057-120-041
11. 057-120-045
12. 057-120-050

13. 057-120-051

14. 057-180-014

15. 057-180-015

B. Pursuant to Section 99 of the Revenue and Taxation Code, the governing bodies of all local agencies whose service area or service responsibilities will be altered by a proposed jurisdictional change shall negotiate and determine by resolution the amount of property tax revenues to be exchanged between and among such local agencies.

C. The City Council of the City of American Canyon and the Board of Supervisors of the County of Napa, pursuant to Revenue and Taxation Code Section 99, subdivision (b)(5), have determined the amount of property tax revenues to be exchanged as a result of the proposed jurisdictional changes.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Annexation Effective Date. The property tax allocation set forth in Section 2 below shall commence on the date the LAFCO Executive Officer's Certificate of Completion is recorded consistent with applicable law, including the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code Section 56000. *et seq.*, but in no event prior to approval of the PWLAT annexation by LAFCO ("Annexation Effective Date"). If litigation is filed challenging the validity of the PWLAT annexation, the Annexation Effective Date shall be tolled until the litigation and any appeals are concluded. If litigation should result in a final judgement that the PWLAT annexation is invalid, including exhaustion of any appeals, then this Agreement shall have no further force or effect.

2. Allocation of Property Taxes. Subject to Section 4, beginning on the Annexation Effective Date, the County shall retain fifty percent (50%) of the County's existing share of the one percent (1%) property tax rate increment from the PWLAT as calculated by the County Auditor ("County Tax Increment"); and the City shall be allocated fifty percent (50%) of the County Tax Increment (ie. "50%/50% allocation").

3. Property Tax Revenue. The property taxes revenue subject to this Agreement shall mean "ad valorem real property taxes," as the phrase is used in Section 25.5(b) of Article XIII A of the California Constitution, excluding certain property tax revenue set forth in Revenue and Taxation Code Section 95(c), that is collected from the PWLAT.

4. ULL/RHNA Agreement.

a. Concurrently herewith, the City and County have executed a separate “Urban Limit Line and Regional Housing Needs Allocation Agreement (ULL/RHNA Agreement)” authorizing the City to expand the American Canyon ULL in exchange for the City’s agreement to accept a percentage of the County’s RHNA in perpetuity, commencing with the Seventh Housing Element Revision.

b. The parties agree City share of the County Tax Increment shall further increase from that amount shown in Section 2 upon approval of the transfer of the specified portion of the County’s RHNA to the City, commencing with the Seventh Housing Element Revision (2031-2039) and continuing for each subsequent Housing Element Revision in perpetuity, in accordance with the ULL/RHNA Agreement. Beginning on the effective date of the Seventh Housing Element Revision that includes the transfer of the specified portion of the County’s RHNA to the City, in lieu of the allocation in Section 2, the City shall be allocated Seventy-Five percent (75%) of the County Tax Increment; and the County shall retain the remaining Twenty-Five percent (25%) of the County Tax Increment. This “75%/25% allocation” shall continue so long as the transfer of the specified portion of the County’s RHNA is included in each subsequent Housing Element Revision in accordance with the ULL/RHNA Agreement. If any future Housing Element Revision does not include the transfer of the County’s RHNA to the City by the applicable percentage set forth in the ULL/RHNA Agreement for any reason, including a change in law, the “75%/25% allocation” of County Tax Increment in this Section shall cease and the “50%/50% allocation” of County Tax Increment shall be implemented in accordance with Section 2.

5. Additional Terms and Conditions:

a. Compliance with Revenue and Taxation Code section 99. Whenever applicable, the parties will take the necessary steps required by section 99 of the Revenue and Taxation Code to implement this Agreement, including adoption of the requisite resolutions.

b. Indemnification. To the fullest extent permitted by law, each party agrees to defend, indemnify, and hold harmless the other parties, their elected and appointed officials, officers, employees and agents from and against any and all liabilities, penalties, costs, losses, damages, expenses, causes of action, claims, demands, proceedings and judgments including, without limitation, reasonable attorneys' fees

(collectively, "Claims") against the other parties for damages or violation of any law arising from or in any way connected with any act, omission, or other action taken by that party in performance of its duties under this Agreement.

c. Warranty of Legal Authority Each party warrants and covenants that it has the present legal authority to enter into this Agreement and to perform the acts required of it hereunder. If any party is found to lack the authority to perform the acts required of it hereunder or is prevented from performing the acts by a court of competent jurisdiction, this Agreement shall be void.

d. Assignment/Delegation. Neither party hereto shall assign, or transfer any benefit or obligations of this Agreement without the prior written consent of the other, and no assignment shall be of any force or effect whatsoever unless and until the other party shall have so consented.

e. Severability. In the event any provision of this Agreement or the ULL/RHNA Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, the valid or enforceable portion thereof and the remaining provisions of this Agreement and the ULL/RHNA Agreement will remain in full force and effect except to the extent removal of the invalid portion would materially and adversely impact one or more parties' consideration for entering into this Agreement and the ULL/RHNA Agreement.

f. Waiver. Any waiver (express or implied) by either party of any breach of this Agreement shall not constitute a waiver of any other or subsequent breach.

g. Reserved.

h. Notices. Whenever notice is to be given, it shall be in writing and delivered by personal, overnight express or courier service, with a written receipt, or sent by registered or certified mail in a sealed envelope, postage prepaid, return receipt requested and addressed as follows:

*City of American Canyon:*  
City Manager:  
4381 Broadway Street, Suite 201  
American Canyon, California 94503

With Copy to:  
City Attorney  
Colantuono Highsmith & Whatley P.C.

790 E. Colorado Blvd., Suite 850  
Pasadena, CA 91101

*County of Napa:*  
Chief Executive Officer  
Napa County  
1195 Third Street, Suite 310  
Napa, CA 94559

With Copy to:  
Napa County Counsel  
County of Napa  
1195 Third Street, Suite 301  
Napa, CA 94559

Changes may be made in addresses to where notices are to be delivered by giving notice pursuant to this provision.

i. Entire Agreement. This Agreement and the ULL/RHNA Agreement, including any documents expressly incorporated by reference whether or not attached thereto, constitutes the entire agreement between the parties relating to the annexation of, and allocation of County Tax Increment for, the PWLAT and supersedes all previous agreements, promises, representations, understandings, and negotiations, whether written or oral, among the parties with respect to the annexation of, and allocation of County Tax Increment for, the PWLAT. This Agreement may be executed in counterparts, each of which shall constitute an original.

j. Amendment. This Agreement may only be amended in writing by an amendment authorized and executed by the City and County.

k. Recitals Adopted. The Recitals are incorporated by reference into this and are a part of this Agreement.

l. Joint Defense in Event of Third Party Challenges to the Agreement. In the event of a third party challenge of any type to this Agreement, the parties agree to jointly defend the validity and implementation of this Agreement.

m. Dispute Resolution.

i. If any dispute arises regarding the interpretation or application of this Agreement or any determination or calculation thereunder, the

Parties agree upon the request of any of them to meet and attempt to resolve the same amicably for a period not to exceed thirty (30) days.

- ii. If the dispute is not otherwise resolved, and absent the need for emergency relief or to meet a statute of limitations, the Parties agree to enter into mediation before initiating litigation. The Parties shall mutually agree upon a mediator and each party shall pay one third (1/3) the cost of the mediator and bear their own costs for the mediation. The mediation shall be completed within sixty (60) days of notice of the intent to undergo mediation. If the mediation is not completed within sixty (60) days of notice, a party may initiate litigation. The Parties shall act in good faith and with due diligence to timely complete the mediation.
- iii. If litigation is commenced before mediation due to one of the reasons mentioned above, the Parties agree to immediately commence and complete mediation within sixty (60) days of the commencement of litigation as evidenced by the filing in court of a formal complaint, petition, or similar document.

n. Copy to Interested Persons. The Clerk of the Board shall immediately forward a copy of this Agreement to the Auditor-Controller for the County, the Clerk the City, and the Executive Officer of LAFCO.

IN WITNESS WHEREOF, this Agreement was executed by the parties hereto as of the effective date written above.

COUNTY OF NAPA

By: \_\_\_\_\_

Amber Manfree, Chair of Board of Supervisors

<p>APPROVED AS TO FORM Office of County Counsel</p> <p>By: <u>Sabrina S. Wolfson</u> Deputy County Counsel</p> <p>Date: <u>April 29, 2026</u></p>	<p>APPROVED BY THE NAPA COUNTY BOARD OF SUPERVISORS</p> <p>Date: _____</p> <p>Processed By: _____</p> <p>_____ Deputy Clerk of the Board</p>	<p>ATTEST: NEHA HOSKINS Clerk of the Board of Supervisors</p> <p>By: _____</p>
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CITY OF AMERICAN CANYON

Pierre Washington, Mayor

By: \_\_\_\_\_

Approved as to Form:

Teresa L. Highsmith, City Attorney

By: \_\_\_\_\_

Attest: Teresa Geilfuss, American Canyon City Clerk

By: \_\_\_\_\_.

**Exhibit A – Map of Paoli-Watson Lane Territory**

# PAOLI/WATSON LOCATION MAP

