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**SB-1449 Office of Planning and Research: grant program: annexation of unincorporated areas.** (2021-2022)

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ENROLLED SEPTEMBER 01, 2022

PASSED IN SENATE MAY 25, 2022

PASSED IN ASSEMBLY AUGUST 29, 2022

AMENDED IN SENATE APRIL 19, 2022

AMENDED IN SENATE MARCH 16, 2022

CALIFORNIA LEGISLATURE— 2021–2022 REGULAR SESSION

**SENATE BILL**

**NO. 1449**

**Introduced by Senator Caballero**

**February 18, 2022**

An act to add Section 65040.16 to the Government Code, relating to local government.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1449, Caballero. Office of Planning and Research: grant program: annexation of unincorporated areas.

Existing law establishes, within the Governor's office, the Office of Planning and Research to constitute the comprehensive state planning agency, under the control of the Director of State Planning and Research. Existing law requires the office to, among other things, accept and allocate or expend grants and gifts from any source, public or private, for the purpose of state planning and undertake other planning and coordinating activities, as specified, and encourage the formation and proper functioning of, and provide planning assistance to, city, county, district, and regional planning agencies.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 provides the authority and procedure for the initiation, conduct, and completion of changes of organization, reorganization, and sphere of influence changes for cities and districts, as specified. Existing law requires that an applicant seeking a change of organization or reorganization submit a plan for providing services within the affected territory that includes, among other requirements, an enumeration and description of the services to be extended to the affected territory and an indication of when those services can feasibly be extended.

This bill would require the office to, upon appropriation by the Legislature, establish the Unincorporated Area Annexation Incentive Program, authorizing the office to issue a grant to a city for the purpose of funding infrastructure projects related to the proposed or completed annexation of a substantially surrounded unincorporated area, as defined, subject to approval by the director after

the city submits an application containing specified information. The bill would require the office to match, on a dollar-for-dollar basis, any dollar contribution a city makes toward a project funded by the program, subject to a maximum funding threshold as determined by the director. The bill would, by September 1, 2023, require the office to develop guidelines, and consult with various local representatives to prepare those guidelines, for purposes of implementing the program, and would provide that the guidelines are not subject to the rulemaking requirements of the Administrative Procedure Act.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** Section 65040.16 is added to the Government Code, to read:

**65040.16.** (a) For purposes of this section, the following definitions apply:

- (1) "City" means any incorporated chartered or general law city, including any city the name of which includes the word "town."
- (2) "Director" refers to the Director of State Planning and Research.
- (3) "Fully surrounded" means the entire perimeter of the unincorporated area adjoins, or is separated only by an improved public right-of-way from, parcels that are developed with qualified urban uses.
- (4) "Program" refers to the Unincorporated Area Annexation Incentive Program.
- (5) "Qualified urban use" means any residential, commercial, public institutional, transit or transportation passenger facility, or retail use, or any combination of those uses.
- (6) "Substantially surrounded" means at least 75 percent of the perimeter of the unincorporated area adjoins, or is separated only by an improved public right-of-way from, parcels that are developed with qualified urban uses.
- (7) "Unincorporated area" means inhabited territory, as defined by Section 56046, that is not part of a city or that a city has annexed according to the process described in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5).

(b) The Office of Planning and Research shall establish, upon appropriation by the Legislature, the Unincorporated Area Annexation Incentive Program.

(c) Pursuant to the program, the office may issue, subject to approval by the director, a grant to a city for the purpose of funding projects related to the proposed or completed annexation of an unincorporated area into the city.

- (1) The director shall not issue a grant to a project unless that project is related to the annexation of a substantially surrounded unincorporated area.
- (2) The director may issue grants that fund projects related to municipal infrastructure including, but not limited to, roads, street lighting, sidewalks, curbs, gutters, stormwater management infrastructure, parks, and greenways.
- (3) The director shall prioritize the issuance of grants to applications to fund projects related to any of the following:
  - (A) Annexation of fully surrounded unincorporated areas.
  - (B) Annexations that would result in the improvement of public health and safety infrastructure.
  - (C) Annexation of disadvantaged unincorporated communities, as defined in Section 56033.5.

(d) The director shall require a city to submit an application to the office in order to participate in the program. The application shall include, but not be limited to, all of the following:

- (1) A description of the unincorporated area and the population that resides in the unincorporated area.
- (2) A statement on the infrastructure that the project proposes to construct or improve, including the estimated capital cost of the infrastructure and the timeline for the development of the infrastructure.
- (3) A funding plan, including estimated funds from the program, for the costs and ongoing maintenance of the infrastructure.

(e) A project funded by the program shall not receive funding pursuant to this section that exceeds a maximum threshold determined by the director.

(f) Any dollar contribution a city makes toward a project funded by the program shall be matched by the office on a dollar-for-dollar basis. Matching funds from the office shall be subject to the maximum threshold determined pursuant to subdivision (e).

(g) (1) The office shall develop guidelines for purposes of implementing the program no later than September 1, 2023. In preparing the guidelines, the office shall consult with representatives of all of the following:

(A) Local agency formation commissions.

(B) Counties.

(C) Cities.

(D) Residents of disadvantaged unincorporated communities, as defined in Section 56033.5.

(2) The guidelines developed pursuant to paragraph (1) shall not be subject to the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2.