

**PRE-ANNEXATION AGREEMENT
REGARDING SALES TAX ALLOCATIONS IN THE SOUTH
LAKEPORT AREA OF THE COUNTY OF LAKE**

This Agreement is made and entered into this 26th day of February 2002, by and between the County of Lake (hereinafter referred to as "County") and the City of Lakeport (hereinafter referred to as "City")

RECITALS

WHEREAS, County and City entered into an agreement on April 17, 2001, entitled "Pre-Annexation Agreement Regarding Proposed Underground Utility District And Possible Road Improvements in The South Lakeport Area Of The County of Lake", and

WHEREAS, County is currently planning to proceed with reconstruction of South Main Street and undergrounding of adjacent wire utilities, and has programmed funding for this purpose; and

WHEREAS, it is in the public's interest and therefore in the interest of both County and City to have said road reconstructed and utilities undergrounded and both parties wish to take advantage of the funding now available to County to finance this project with County funding; and

WHEREAS, said area is within the sphere of influence of City and City indicates in its General Plan that all or a portion of said area is priority for annexation during the General Plan planning period; and

WHEREAS, if the subject area is annexed by City prior to said utility and road improvements being made, City would not have the financial ability to fund the above-described project absent establishing an assessment district or otherwise increasing tax revenues from the properties in the project area; and

WHEREAS, County, prior to allocating funding for the project and taking final action to authorize construction of such project desires that City agree to a sales tax sharing agreement in exchange for the County undertaking the construction of said road reconstruction and undergrounding of utilities in the project area; and

WHEREAS, it is fair, reasonable and advantageous to both parties to so agree.

NOW, THEREFORE, based upon the foregoing recitals, the parties hereto agree as follows:

1. County agrees to proceed with a project for the reconstruction of South Main Street-Soda Bay Road from the southerly boundaries of the existing city limits of City to the bridge over Manning Creek on Soda Bay Road, including undergrounding of utilities in the project area at the earliest possible date.

2. City does not presently have any intention to file an application for, or otherwise cause to be initiated or support an application for, annexation of any portion of the above-referenced area along South Main Street-Soda Bay Road adjacent to its present southerly city limit boundaries, which would take effect within ten years of the date of this Agreement. This does not preclude City from taking steps to file for or support an annexation application filed during said ten-year period if conditions warrant consideration of such an annexation proposal.

3. In the event that current circumstances change and all or any portion of the subject area are annexed to the City earlier than ten years from the date of this Agreement, County and City agree to enter into a sales tax sharing agreement similar to the agreement entered into between County and City on February 18, 1997, for the South Lakeport Reorganization Phase I, or other sales tax sharing agreement to be agreed upon by both City and County. The obligation to enter into a sales tax sharing agreement is conditioned upon the following:

- i) That County has completed the South Main Street-Soda Bay Road reconstruction project that includes at least two twelve foot travel lanes with a continuous center turn lane and the undergrounding of existing utilities in the project area, or has committed irrevocably to such project; and
- ii) City and County agreeing to a property tax exchange for the South Main Street project area that provides City with an agreed to average share of taxes as received by City in other tax rate areas within it's City limits.

4. In the event that a developer proposes to construct a project within the subject area where said project is dependent upon the availability of City services which can only be provided if the property on which the project is located is annexed to the City, and in the event said project would promote County and City goals for local economic development, City and County will work together to facilitate a timely annexation of the subject property in a manner which will not result in an unreasonable financial burden to either entity.

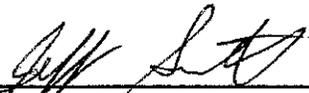
5. It is mutually understood that the current condition of the road is very poor and continuously deteriorating and as a result thereof it may become necessary for interim repair measures to be undertaken prior to the time the full reconstruction project commences. In recognition of this condition County may, if deemed necessary by the County Board of Supervisors as an interim measure until full road reconstruction can be performed, install a pavement overlay or chip seal to the South Main Street/Soda Bay

Road roadway. Such interim repair measures will in no way diminish County's obligation to perform full roadway reconstruction and undergrounding of utilities at the earliest possible date.

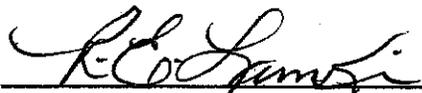
6. All provisions of the April 17, 2001 Agreement shall remain in full force and effect except as modified by the terms of paragraph 5 above.

COUNTY OF LAKE

CITY OF LAKEPORT



Chairman, Board of Supervisors



Mayor

APPROVED AS TO FORM:

APPROVED AS TO FORM:



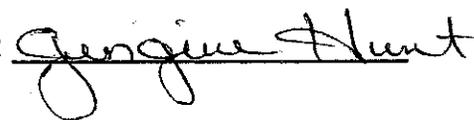
CAMERON L. REEVES
County Counsel



STEVEN J. BROOKES
City Attorney

ATTEST: KELLY F. COX
Clerk of the Board

ATTEST: CITY CLERK

By: 

By: 