



# City of Sacramento City Council

915 I Street, Sacramento, CA, 95814  
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**Meeting Date:** 3/1/2011

**Report Type:** Consent

**Title:** Project Numbers and Associated Appropriations for Developer Credit Projects

**Report ID:** 2011-00131

**Location:** District 1

**Recommendation:** Adopt a Resolution creating Project Numbers for Developer Credit Projects.

**Contact:** Diane Morrison, Finance Department, Program Specialist, (916) 808-7535, Department of Finance

**Presenter:** None

**Department:** Finance

**Division:** Public Improvement Finance

**Dept ID:** 06001321

## **Attachments:**

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1-Description/Analysis  
02 Background  
03 Resolution

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### **City Attorney Review**

Approved as to Form  
Joseph Cerullo  
2/23/2011 1:05:48 PM

### **City Treasurer Review**

Prior Council Financial Policy Approval or  
Outside City Treasurer Scope  
Russell Fehr  
2/11/2011 10:52:32 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Leyne Milstein - 2/22/2011 1:25:22 PM

Assistant City Manager: Patti Bisharat - 2/22/2011 4:43:15 PM



## Description/Analysis

**Issue:** This item provides the necessary authority to assign project numbers to properly account for those assets already constructed and acquired or reasonably expected to be acquired by July 1, 2011 in the North Natomas Finance Plan (NNFP). The current Budget Resolution (No. 2010-388) does not account for fee-credit projects and the use of standard-form agreements. Under the current cash-funded projects approach of the Budget Resolution, the City Council authorizes projects by establishing a capital improvement program (CIP) and any necessary appropriations. In the case of fee-credit projects, approval and construction are included in the NNFP and the procedure for using standard-form agreements. To accommodate this anomaly in the current year, staff is requesting approval for the creation of project numbers for those assets already constructed and acquired or reasonably expected to be acquired by July 1, 2011.

To provide the appropriate authority in future fiscal years, the Budget Resolution for Fiscal Year (FY) 2011/12 will propose language excepting fee-credit projects from the cash-related project and appropriation process.

**Policy Considerations:** Adoption of the recommended resolution is consistent with the intention of the North Natomas Financing Plan to construct or acquire public infrastructure in a timely manner and to promote fairness and equity. Adoption is also consistent with the City's Strategic Plan goals to enhance and preserve the neighborhoods, improve and diversity the transportation system, and support economic development.

## Environmental Considerations

**California Environmental Quality Act (CEQA):** The City Council's action in approving the recommended resolution is solely for the purpose of implementing the previously approved North Natomas Finance Plan and thus is not a project for the purposes of CEQA.

**Sustainability:** There are no sustainability considerations applicable to the administration of a special district.

**Commission/Committee Action:** None

**Rationale for Recommendation:** The recommended resolution will remove an inconsistency in the approval and acquisition of credit funded capital assets.

**Financial Considerations:** There is no impact on the General Fund. The fee-credit program of the NNFP supports the reimbursement of developer costs for building public improvements or dedicating land and for the acquisition by the City of those assets.

**Emerging Small Business Development (ESBD):** None. No goods or services are being purchased.



## **BACKGROUND**

By enacting Ordinance No. 2000-018 and adopting Resolution No. 2000-429, the City Council approved several standard-form agreements for use in North Natomas. These agreements were revised by Resolution Nos. 2004-890 and 2006-918. The standard-form system allows for the efficient operation by delegating to the City Manager the authority to enter into agreements made necessary by prior City Council approval of finance plans, impact-fee programs, and Mello Roos bonds. Substantive revisions to the form of the agreements must be approved by City Council. The City Manager, with the City Attorney's approval, is authorized to make minor, non-substantive changes when needed to tailor an agreement to a particular project.

Public-infrastructure improvements authorized under the North Natomas Financing Plan can be constructed by either the City or a developer. When a developer constructs an improvement, the developer and the City enter into an appropriate standard-form agreement. If the completed improvements meet all City requirements, then the City acquires the improvement and reimburses the developer by issuing credits the developer may use to offset development-impact fees owed when building permits are issued for the developer's project. In other words, the City acquires a capital asset by issuing fee credits instead of paying cash. A similar process applies when the City acquires land from a developer in accordance with the North Natomas Financing Plan, i.e., the City reimburses the developer for the land using fee credits rather than cash.

Because the City is acquiring a capital asset, the City must record the asset as a matter of accounting. This process requires that the value of the fee credits issued be booked as an expenditure. In order to do that, a cost center in the form of a capital improvement project (CIP) must be created to specify the asset acquired and its cost.

Section 10 of the current Budget Resolution (No. 2010-388) has been interpreted to require that the City Council approve the creation of a cost center by assigning a specific number. This requirement puts the standard-form agreements for fee credits at odds with the current Budget Resolution. Staff agrees that this is an administrative anomaly that can be fixed with the next budget resolution.



## **RESOLUTION NO.**

Adopted by the Sacramento City Council

### **ESTABLISH CAPITAL IMPROVEMENT PROJECTS FOR NORTH NATOMAS FINANCING PLAN FEE-CREDIT PROJECTS**

#### **BACKGROUND:**

- A. The North Natomas Finance Plan (“NNFP”) and Sacramento City Code chapter 18.24 provide for credits against development-impact fees where the developer has constructed an authorized public facility or has dedicated authorized required lands beyond standard dedications. After construction is verified or the lands acquired, the City takes possession of the facility or property and the developer is issued credits that can be used to offset fees owed when building permits are issued.
- B. To facilitate administration of the process described in Paragraph A, and as authorized by Sacramento City Code chapter 18.18 and Resolution Nos. 2000-429, 2004-890, and 2006-918, the City Council has approved standard-form agreements for use on development projects subject to the NNFP. The City Manager is authorized to sign these agreements and, with the City Attorney’s approval, is permitted to make minor, non-substantive changes needed to tailor an agreement to a project.
- C. Through the use of the standard-form agreements, the City acquires assets already approved for acquisition and construction as part of the NNFP, the latest version of which was approved by Resolution No. 2009-341. Acquisition of these assets is a Council-authorized capital project for which the City pays the developer with fee credits, not cash.
- D. The current City Budget Resolution (No. 2010-388) does not account for fee-credit projects. Under the usual cash-funded projects, the City Council authorizes projects by establishing a capital-improvement program (CIP) and any necessary appropriations. In the case of fee-credit projects, approval and construction are included in the NNFP and the procedure for using approved standard-form agreements.
- E. To account for fee-credit projects in the current fiscal year, project numbers and associated appropriations for fee-credit projects should be created for those assets already constructed and acquired or reasonably expected to be acquired by July 1, 2011.
- F. To account for fee-credit projects in future fiscal years, the Budget Resolution for Fiscal Year (FY) 2011/12 will propose language excepting fee-credit projects from the cash-related project and appropriation process.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

**SECTION 1** The City Council finds that the statements in the Background are true and adopts them as findings.

**SECTION 2** The Developer Fee-Credit Projects and associated appropriations described in Exhibit A are hereby established.

**SECTION 3** Exhibit A is part of this Resolution.

**SECTION 4** The City Manager is directed to incorporate proposed language in the FY2011/12 Budget Resolution excepting fee-credit projects from the cash-related project and appropriation process.

**Table of Contents:**

Exhibit A: NNFP Developer Fee-Credit Projects

## North Natomas Finance Plan Developer Fee-Credit Projects

<u>Proposed CIP</u>	<u>Description</u>	<u>Developer</u>	<u>Agreement No.</u>
J22203900	E. Commerce Landscaping , Seg 35	KSP Arena Corporate Center	CMA #2006-0750-1
J22204000	Terraces at Commerce Station - Frontage Street Improvements - East Commerce Way	Shea Homes	CMA 2007-0267
J22204100	.772 acre - Del Paso Overwidth	K. Hovnanian Forecast Homes	CMA 2008-0579
J22204200	1.871 acres - Fire Station Site	K. Hovnanian Forecast Homes	CMA 2008-0579
J22204300	8550 LF Bike Path, Segment 18	K. Hovnanian Forecast Homes	CMA 2008-0501
J22204400	18.306 acres - Freeway Buffer	Alleghary Properties LLC	CMA 2008-0152
J22204500	2.34 acre - Community Center	Alleghary Properties LLC	CMA 2001-223
J22204600	11.73 acres - portion of Lot F "Ag Buffer" - additional cost	Lennar Winncrest, LLC	CMA 2002-179
J22204700	1.37 acres - Lot L - Fire Station Site	Lennar Winncrest, LLC	CMA 2002-707
J22204800	1.32 acres - Westlake Water Main Easement	Winncrest Natomas LLC	CMA 2009-0637
J22204900	1.904 acres - Right of Way Overwidth on East Commerce Way	Beazer Homes Holdings Corp.	CMA 2009-0014
J22205000	Truxel & Arena Commons Drive - Traffic Signal #6	Natomas- Truxel, LLC	CMA 2004-0108
J22205100	Truxel Rd. & Prosper St. - Traffic Signal #55	Natomas Crossing Phase I, LLC & Diepenbrock Investment Properties	CMA 2004-0347
J22205200	Arena & Truxel Rd. - Bike Trail #89	Natomas Crossing Phase I, LLC & Diepenbrock Investment Properties	CMA 2004-0348
J22205300	East Commerce @ Northpark - Traffic Signal #44	Schumacher	CMA 2008-0785
J22205400	Natomas Field - Segment & Traffic Signals	Beazer Homes Holdings Corp.	CMA 2009-0156