

Meeting Date: 3/18/2014

Report Type: Consent

Report ID: 2014-00002

Title: Natomas Meadows Community Facilities District No. 2007-01; Pass an Ordinance Superseding Ordinance No. 2007-078 (Passed for Publication 03/11/2014; Published 03/13/2014)

Location: District 1

Recommendation: Pass an Ordinance superseding Ordinance No. 2007-078.

Contact: Sheri Smith, Program Specialist, (916) 808-7204; Mark Griffin, Program Manager, (916) 808-8788, Department of Finance

Presenter: None

Department: Finance

Division: Public Improvement Finance

Dept ID: 06001321

Attachments:

1-Description/Analysis

2-Background

3-Schedule of Proceedings

4-Ordinance

City Attorney Review

Approved as to Form

Joseph Cerullo

3/11/2014 6:38:55 PM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 2/21/2014 11:47:56 AM

Description/Analysis

Issue: The Natomas Meadows Community Facilities District No. 2007-01 (the District) was established in 2007 to issue bonds to fund public improvements for the Natomas Meadows development. The District was designed with a tax level appropriate to market conditions at the time. With the economic downturn and the Federal Emergency Management Association restrictions in 2008, just 8 of 557 single-family units were built with little tax collected and with no bonds issued.

The owner of the development wishes to modify the existing District to bring it in line with current market conditions. To that end, the City has taken the following steps under the Mello-Roos Community Facilities Act of 1982:

- On July 30, 2013, the City Council passed Resolution No. 2013-0256 to initiate proceedings to modify the rate and method of apportionment (RMA) and make other modifications to the District.
- On September 10, 2013, the City Council passed Resolution No. 2013-0301 calling for a special mailed-ballot election with regard to the proposed changes to the District.
- On December 9, 2013, the proposed changes were presented to the property owners at the special election, and the property owners voted in favor of them.
- On March 11, 2014, the City Council adopted a resolution approving the proposed changes and passed for publication the ordinance that implements the changes.

Policy Considerations: Modification of the RMA will reduce the tax burden for current and future homeowners in the District and bring the overall tax burden to less than 2% of current property values, which is consistent with the California Debt and Investment Advisory Commission's guidelines. A reduced tax burden will also make the new homes more marketable when construction resumes. The modifications designating two improvement areas and changing the debt and appropriations limits will allow for more financing flexibility.

Economic Impacts: This report does not have direct economic impacts.

Environmental Considerations: The proposed changes to the District do not qualify as a project that is subject to review under California Environmental Quality Act. (Cal. Code Regs., tit. 14, § 15378, subds. (b)(4) & (b)(5).)

Sustainability: There are no sustainability considerations applicable to the administration of assessment districts.

Commission/Committee Action: None

Rationale for Recommendation: The recommended actions are required by the Mello-Roos Community Facilities Act of 1982 to implement the changes approved by the qualified electors in the District (see Government Code Sections 53330 to 53338.5).

Financial Considerations: There will be no impact to the General Fund. The developer will fund fees and improvements and be reimbursed at a later time if and when sufficient bond proceeds are available.

It is anticipated that there will be two bond sales, one for each improvement area. Until bonds are sold, the developer will be reimbursed for eligible costs on a pay-as-you-go basis with available special-tax proceeds. The proposed maximum authorized debt for the District is \$22.0 million, a reduction from the \$27.5 million originally authorized.

Local Business Enterprise (LBE): Not applicable

BACKGROUND

The Natomas Meadows project was entitled as a residential development with single-family homes, condominiums, multifamily units, and a park. In 2008, due to the economic downturn and building restrictions resulting from FEMA's designation of the Natomas Basin as a "Special Flood Hazard Area," construction on the project ceased with just eight homes and one affordable multifamily housing complex completed. The District was formed to support the development and is authorized to levy special taxes and issue special-tax bonds, but the planned issuance was suspended given the then-existing circumstances.

Ownership of the project has since changed hands. To prepare for the resumption of construction when the FEMA restrictions are lifted, the current owner, Granite Bay Partners, has proposed modifying the special taxes imposed within the District so that they better reflect current market conditions. The modifications will lower the maximum special tax for all residential units and land-use types (which will also provide tax relief to the current homeowners) and will divide the District into two separate improvement areas, thereby allowing for more land-use and financing flexibility.

District Formation

The District was formed to finance certain development fees and public improvements within the public rights-of-way and adjacent public-utility easements of the major public roads intersecting and bordering the District's boundaries. On September 4, 2007, the City Council adopted Resolution No. 2007-656 deeming it necessary to incur bonded indebtedness to finance those fees and improvements. The proposed modifications to the District will reduce the special-tax rates and decrease the total amount authorized to be financed, lowering the maximum authorization from \$27.5 million to \$22 million. The fees, costs, and improvements eligible for District financing do not change:

- On and off-site major street improvements, including traffic signals and the Gateway Park Boulevard Bridge, storm water pump-station improvements, water lines and valves, and park improvements.
- North Natomas transit fees, public-facilities fees, and regional park land-acquisition fees; and City of Sacramento construction-excise taxes, park-development impact fees, water-service tap fees, water-development fees, and water-meter costs.
- Costs of forming the District, levying taxes, and issuing bonds.

District Boundaries

The exterior boundaries of the District will remain the same, but the District will be divided into two separate improvement areas.

Process to Make Changes to the RMA

The process to modify the District begins with a landowner petition requesting the modifications, followed by the City Council's adoption of a "resolution of consideration" calling for a public hearing where all interested persons have the opportunity to protest the proposed modifications. On July 30, 2013, the City Council adopted Resolution No. 2013-0256 calling for a public hearing on September 3, 2013.

The City Council continued the public hearing to September 10, 2013. At the conclusion of the continued public hearing, the City Council adopted Resolution No. 2013-0301, which designated two improvement areas within the District and ordered that the following proposed changes to the District be submitted to the qualified electors in each area: a new RMA for each area, a new debt limit for the District and each area, and a new appropriations limit for each area. The proposed changes can be implemented in each area only if approved by at least two-thirds of the votes cast in that area.

Under the Mello-Roos Community Facilities Act of 1982, the qualified electors will be either registered voters or landowners. If more than 11 registered voters reside within an improvement area of the District, then those voters are the qualified electors for that area, and the proposed modification of the special taxes must be submitted to them, with each voter having one vote. But if 11 or fewer voters reside within an improvement area, then the qualified electors are the owners of land within the area, and the modifications must be submitted to them, with each owner having one voter for every acre or portion of an acre. There were 11 or fewer registered voters residing within each improvement area, so the vote was by landowners. The landowner election was held on December 9, 2014, and changes to the District were approved in both improvement areas.

A timeline for the process is in the attached Schedule of Proceedings.

SCHEDULE FOR CHANGE PROCEEDINGS

NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01

June 7, 2013	City Clerk Certification of 11 registered voters (90 days to Public Hearing)
June 11, 2013	Petitions for Change Consideration delivered to City, New RMAs to City for review
June 11, 2013	New RMAs complete
July 30, 2013	City Council <ul style="list-style-type: none">○ Adopt Resolution of Consideration to change RMA etc. (sets hearing date)
July 31, 2013	Mail Notice of Public Hearing and Record Amended Boundary Map
August 26, 2013	City Clerk <ul style="list-style-type: none">○ Publish Notice of Public Hearing
September 3, 2013	City Council <ul style="list-style-type: none">○ Open Public Hearing and continue to Sept. 10
September 10, 2013	City Council <ul style="list-style-type: none">○ Conduct Continued Public Hearing○ Adopt Resolution Calling Special Election
November 10, 2013	Mail Ballots and impartial analysis per City Clerk Schedule
December 9, 2013	Ballots Due (90 days)
March 11, 2014	City Council <ul style="list-style-type: none">○ Adopt Resolution Declaring Results of Special Election○ Adopt Resolution of Change○ Pass for Publication ordinance to supersede Ordinance 2007-078
March 12, 2014	Record Notice of "changes"
March 18, 2014	City Council <ul style="list-style-type: none">○ Adopt Ordinance

ORDINANCE NO. 2014-XXX

Adopted by the Sacramento City Council

**LEVYING A SPECIAL TAX FOR FISCAL YEAR 2014-2015 AND
FOLLOWING FISCAL YEARS WITHIN NATOMAS MEADOWS
COMMUNITY FACILITIES DISTRICT NO. 2007-01, CITY OF
SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. On September 4, 2007, the City Council adopted Resolution No. 2007-0655 (**the Resolution of Formation**), thereby establishing the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (**the District**) and authorizing the levying of a special tax on taxable property within the District in accordance with a Rate and Method of Apportionment of Special Tax set out in the Resolution of Formation (**the Original RMA**). On October 16, 2007, the City Council enacted Ordinance No. 2007-078, which levied a special tax on all taxable parcels within the District for fiscal year 2008-2009 and for all subsequent fiscal years in the amounts and at the rates authorized by the Resolution of Formation and the Original RMA.

SECTION 2. On March 11, 2014, as authorized by Government Code sections 53330 through 53338.5 and by a vote of the District's qualified electors as set forth in Resolution No. 2014-0059, the City Council adopted Resolution No. 2014-0060 (**the "Resolution of Change"**) and thereby divided the District into Improvement Area No. 1 and Improvement Area No. 2, each area with its own Rate and Method of Apportionment of Special Tax in place of the Original RMA. This ordinance implements the Resolution of Change by superseding Ordinance No. 2007-078.

SECTION 3. A special tax is hereby levied on all taxable parcels within Improvement Area No. 1 of the District for fiscal year 2014-2015 and for all subsequent fiscal years in the amount of the maximum tax authorized by Exhibit B to the Resolution of Change, subject to the following: in any fiscal year, the City Council may determine by resolution that the tax be levied as a lesser amount. The levy of the tax will continue until the City Council ceases collecting the tax and a Notice of Cessation of Special Tax is recorded in accordance with Government Code section 53330.5.

SECTION 4. A special tax is hereby levied on all taxable parcels within Improvement Area No. 2 of the District for fiscal year 2014-2015 and for all subsequent fiscal years in the amount of the maximum tax authorized by Exhibit C to the Resolution of Change, subject to the following: in any fiscal year the City Council may determine by resolution that the tax be levied as a lesser amount. The levy of the tax will continue until the City Council ceases collecting the tax and a Notice of Cessation of Special Tax is recorded in accordance with Government Code section 53330.5.

SECTION 5. The Manager of the City's Public Improvement Finance Division (**the "Manager"**) is authorized and directed (a) to determine each year, without further action of the City Council, the appropriate amount of the special tax to be levied in

accordance with the Resolution of Change; and (b) to prepare the annual special-tax roll in accordance with the Resolution of Change—all with the aid of appropriate City officers and agents. The Manager’s address and phone number are as follows:

915 “I” Street
New City Hall, Third Floor
Sacramento, California 95814
Telephone: (916) 808-8788

SECTION 6. The Manager is hereby authorized and directed, without further action of the City Council, to provide to the Auditor-Controller Division of the Sacramento County Department of Finance, in proper form and in proper time, all appropriate information needed to effect the correct and timely billing and collection of the special tax on the secured property-tax roll of Sacramento County, subject to the following: as provided in Government Code section 53340, the Resolution of Formation, and the Resolution of Change, the City Council has reserved the right to use any method of collecting the special tax that it determines to be in the City’s best interests, including but not limited to direct billing by the City to the property owners, supplemental billing, and judicial foreclosure, all or any of which the City Council may in its discretion implement from time to time.

SECTION 7. The appropriate officers and agents of the City are authorized to make adjustments to the special-tax roll before the final posting of the special taxes to the Sacramento County tax roll each fiscal year as may be necessary to achieve a correct match of the special-tax levy with the assessor's parcel numbers finally used by the County in sending out property-tax bills.

SECTION 8. If the special tax is collected on Sacramento County’s secured tax roll, then, before remitting the special-tax collections to the City, the County may deduct from the amounts collected its reasonable and agreed charges for collecting the special tax.

SECTION 9. Each taxpayer who claims that the amount of the special tax levied on the taxpayer’s property is not correct is referred to the claims procedure in Section I of the relevant Rate and Method of Apportionment of the Special Tax attached to the Resolution of Change.

SECTION 10. If a court with jurisdiction finds, for any reason, that any portion of this ordinance is invalid or that the special tax does not apply to a particular parcel, then the balance of this ordinance, and the application of the special tax to all other parcels, will not be affected.

SECTION 11. In accordance with City Charter section 32(c), after the City Council has passed this ordinance for publication, the City Clerk shall have the title of this ordinance, and only the title, published at least once in a newspaper of general circulation that is published in the City and designated by the City Council as the official newspaper of the City, with the publication to occur at least three days before the City Council adopts this ordinance.