



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www. CityofSacramento.org

CONSENT REPORT
October 6, 2005

Honorable Mayor and
Members of the City Council

Subject: Rescind Fees: North Natomas Refundable Supplemental Drainage Fee And Refundable Buy-In Fee

Location/Council District: North Natomas Community Plan Area (District 1)

Recommendation:

Approve this item be passed for publication of title and continued to October 18, 2005 to "Adopt Ordinance to amend Title 18 of the Sacramento City Code to delete Chapter 18.52, which imposed refundable supplemental drainage fees and refundable by-in fee related to development in North Natomas," and adopt a resolution: 1) setting the amount of both the Refundable Supplemental Drainage Fee and the Refundable Buy-in Fee in connection with the North Natomas Drainage Community Facilities District (DFD) 97-01, Subordinated Special Tax Bonds, Series C to \$00.00, and 2) authorizing the appropriation and disbursement of funds currently held by the City, with interest earned, to the payor.

Contact: Janelle Gray, Senior Debt Analyst, (916) 808-8296 and Thomas P. Friery, City Treasurer, (916) 808-5168

Presenters: Not Applicable

Department: Office of the City Treasurer

Division: Office of the City Treasurer

Organization No: 0900

Summary:

In March 2003, as part of the North Natomas Drainage Community Facilities District No. 97-01 (CFD 97-01) interim financing plan to fund the third phase of the North Natomas Comprehensive Drainage System Improvements, the City issued the CFD 97-01 Subordinate Series C Bonds (Series C Bonds). The Series C Bonds in the amount of

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\$6,040,000, were purchased by the City, and three private North Natomas landowners. At that time, the City also put in place two fees: 1) Refundable Supplemental Drainage Fee, and 2) Refundable Buy-in Fee (together "Fees"). The concept of the Fees was to redistribute the financial responsibility of the interim financing (accomplished through the sale of the Series C Bonds) from the City and the original three landowners among all benefiting parties building in North Natomas during the period the Series C Bonds were outstanding.

On June 7, 2005, the CFD 97-01 Series A, B, and C Bonds were refunded, thereby abolishing the necessity to collect these Fees. Staff was originally operating under the assumption that the refunding of the Series C Bonds negated the requirement to collect the Fees and the Fees would automatically sunset. It has since been determined that it is necessary to go through the formal process of deleting the Fee(s) requirement through the ordinance process. In the interim, staff is requesting that City Council set the Fees to zero (\$0.00), thereby terminating the collection of unnecessary fees, and allowing for staff to begin the processing of refunding the funds, with interest, currently held by the City to the paying parties.

Committee/Commission Action: None.

Background Information:

In actions taken on December 17, 2002, and January 9, 2003, City Council approved the sale of \$6,040,000 North Natomas CFD 97-01, Subordinate, Series C Bonds, as an interim solution to fund the third phase of the North Natomas Comprehensive Drainage System Improvements. The Series C Bonds were originally purchased by the City of Sacramento (Drainage Fund - \$1,540,000), Lennar Communities (\$2,300,000), Lewis Operating Corp. (\$1,700,000), and The Cambay Group (\$500,000). Additionally, City Council approved the concept of selling a permanent bond financing as soon as fiscally feasible to refund the Series C Bonds.

On March 25, 2003, in conjunction with the issuance of the Series C Bonds, City Council approved a Refundable Buy-in Fee and Refundable Supplemental Drainage Fee to be imposed during the time the Series C Bonds were outstanding. These refundable Fees were implemented to reduce the equity position of the initial four participants. This ensured an equitable distribution of the interim financing obligation to all parties building in North Natomas during the period in which the Series C Bonds were outstanding.

The Fees that were adopted are described below.

- Refundable Buy-in Fee - imposed on landowners in North Natomas not presently participating in the interim financing and who desire to form a new special district or issue a subsequent series of bonds in an existing district. The Refundable Buy-in Fee amount is \$1,000,000.

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- Refundable Supplemental Drainage Fee - applied to all remaining development within the CFD 97-01 boundaries and payable at the time building permits are issued. The amounts are:

Single Family	\$851.00 per unit
Multi-family	\$403.00 per unit
Non-residential	\$5,178.00 per net acre

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Financial Considerations:

Since its inception in March 2003, approximately \$5.5 million in Fees have been collected. In 2004, \$2.05 million was reallocated for the purchase of the Series C bonds from the initial four participants. Thus, the remaining \$3.45 million, plus the earned interest, will be refunded to the paying parties.

Environmental Considerations:

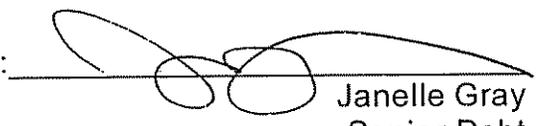
The City Council's action in adopting the ordinance is not a project for purposes of the California Environmental Quality Act.

Policy Considerations:

City Council's approval of the interim financing program for CFD 97-01, Series C Bonds, including the fees, permitted the continued development of North Natomas. This action was consistent with City Council's Strategic Goals to: Achieve Sustainability and Livability; Increase Opportunities for All Sacramento Residents to Live in Safe and Affordable Housing and Expand Economic Development throughout the City of Sacramento. The requested action is a continuation of the previously approved interim financing.

Emerging Small Business Development (ESBD):

No goods or services are being purchased.

Respectfully Submitted by:  Janelle Gray
Senior Debt

Approved by:  THOMAS P. FRIERY
CityTreasurer

Recommendation Approved:


ROBERT P. THOMAS
City Manager

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ORDINANCE NO. 2005-XXX

Adopted by the Sacramento City Council

Date Adopted

AN ORDINANCE AMENDING TITLE 18 OF THE SACRAMENTO CITY CODE RELATING TO DEVELOPMENT FEES IN NORTH NATOMAS, TO DELETE CHAPTER 18.52, WHICH IMPOSED A REFUNDABLE SUPPLEMENATAL NORTH NATOMAS DRAINAGE FEE AND A REFUNDABLE BUY-IN FEE PAYABLE AS A PRECONDITION TO FORMATION OF A BOND FINANCING DISTRICT IN NORTH NATOMAS OR ISSUANCE OF SERIES BONDS IN AN EXISTING DISTRICT, AND DECLARING THIS ORDINANCE TO BE AN EMERGENCY ORDINANCE TO BECOME EFFECTIVE IMMEDIATELY UPON ITS ADOPTION

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO

SECTION 1.

- A. North Natomas Comprehensive Drainage Community Facilities District No. 97-01 ("CFD 97-01") was established by the City in 1997 to fund drainage improvements required by North Natomas Comprehensive Drainage Plan, with a bond authorization of \$35,000,000.00.
- B. The improvements were to be constructed in three phases, with each phase to be funded with a series bond issue. Accordingly, the Series A bonds in the sum of \$20,175,000.00 were sold in 1997, and the Series B bonds in the sum of \$5,400,000.00 were sold in 2000, and the Subordinate Series C bonds in the sum of \$6,040,000.00 were sold in 2003.
- C. The stated size of the Series B bond issuance was the maximum allowed by the required value to lien ration (3:1). Because more funding was necessary in order to construct the second phase of the improvements, City agreed to and did loan the sum of \$3,355,000.00 to the project ("City Loan"). This principal amount, together with interest, is being paid from tax proceeds of CFD 97-01, with full amortization scheduled in 2006.
- D. It was necessary, due to the advanced rate of residential construction in North Natomas, to construct the third phase of the improvements during 2003-2004 at an estimated cost of \$6,040,000.00. The special tax revenue from CFD 97-01 was insufficient to support the issuance of the planned Series C bonds.
- E. Because development in North Natomas could not continue without construction of the third phase of the improvements, the City and certain private North Natomas landowners agreed upon an interim financing solution that produced the required sum of

\$6,040,000.00. Under the interim solution, the City issued capital appreciation bonds that were purchased by the City and by private landowners. It was contemplated that in 2006 or 2007 the City would be able to issue bonds in CFD 97-01 to pay off the capital appreciation bonds.

- F. In the interim, it was necessary to establish and impose a refundable supplemental drainage fee ("Fee") to be paid at the time of issuance of a building permit. It was also essential, for the same reasons that a buy-in fee ("Buy-in Fee") be established, to be paid by non-participating landowners who desire the City to establish a bond financing district in North Natomas or to cause the City to issue series bonds in an existing district. Funds generated by the Fee and the Buy-in Fee were to be used to reduce the equity position of the initial participants in the capital appreciation bonds. The investment of the initial participants, and of the payors of the Fee and the Buy-in Fee, shall be reimbursed when bonds are issued in CFD 97-01.
- G. It was determined that sufficient special tax revenue existed to issue the North Natomas CFD 97-01 Series 2005 Refunding Bonds that refunded the Series A, B and C bonds. On June 7, 2005, the Series 2005 Refunding Bonds were issued, thereby abolishing the necessity to further collect the Fee and the Buy-in Fee.

SECTION 2.

Sacramento City Code is amended to delete Chapter 18.52, in its entirety.

RESOLUTION NO.

Adopted by the Sacramento City Council

October 6, 2005

A RESOLUTION SETTING THE AMOUNT OF THE REFUNDABLE SUPPLEMENTAL DRAINAGE FEE AND THE BUY-IN FEE IN CONNECTION WITH ISSUANCE OF THE NORTH NATOMAS DRAINAGE COMMUNITY FACILITIES DISTRICT 97-01 SUBORDINATED SPECIAL TAX BONDS, SERIES C

BACKGROUND

- A. The City Council has heretofore adopted an ordinance ("Ordinance") establishing the Refundable Supplemental Drainage Fee ("Drainage Fee") and the Buy-in Fee in connection with the issuance of the North Natomas Drainage Community Facilities District 97-01 ("CFD 97-01") Subordinated Special Tax Bonds, Series C.
- B. The Ordinance authorized the City Council to set by resolution the amount of the Drainage Fee and the Buy-in Fee.
- C. This action will set the required Fees to \$00.00 pending future City Council action to abolish the Fee requirements, thereby terminating the collection of unnecessary fees.

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

Section 1. The Drainage Fee amounts, payable at the time of issuance of a building permit, are established as follows:

Single family residential unit.....	\$00.00
Multifamily residential unit	\$00.00
Commercial/office/industrial.....	\$00.00

Section 2. The Buy-in Fee amount, payable as specified in the Investment Agreements, is established at \$00.00.

Section 3. Any Drainage Fee and Buy-in Fee revenue currently held by the City of Sacramento may be appropriated and refunded to the payor with earned interest.

Section 4. **Effective Date.**

This resolution shall be effective immediately upon its adoption.

MAYOR

ATTEST

CITY CLERK