



Legislation Text

File #: 22-272, Version: 1

Conduct a Public Hearing, Adopt Four Resolutions and Approve the First Reading of an Ordinance:

- 1) Resolution of Formation establishing the City of San Leandro Community Facilities District (CFD) No. 2022-1 (Monarch Bay Shoreline Facilities & Services) (the “CFD”);
- 2) Resolution Deeming it Necessary to Incur Bonded Indebtedness to Finance the Acquisition and Construction of Public Facilities for the Proposed CFD;
- 3) Resolution Calling Special Mailed-ballot Election Within the Proposed CFD;
- 4) Resolution Declaring Results of Special Mailed-ballot Election within the Proposed CFD; and
- 5) Ordinance Levying a Special Tax for 2023-2024 and Following Fiscal Years Solely Within and Relating to the Proposed CFD

COUNCIL PRIORITY

- Infrastructure
- Sustainability & Resiliency
- Fiscal Sustainability and Transparency

SUMMARY

To meet the City’s policy goal of fiscal neutrality for the Monarch Bay Shoreline Development public-private partnership project, a Community Facilities District (CFD) is proposed under the Mello-Roos Communities Facilities Act of 1982 (Mello-Roos Act). Special taxes levied on taxable property within the CFD will provide a funding source for public services and public infrastructure (facilities) in the Shoreline area, payable solely by property owners or lessees of City-owned property located within the boundaries of the CFD / new development. Exhibits B and C to Attachment A provide an overview of potential services and facilities.

The first steps in the process of forming the CFD were approval of the two Resolutions of Intention on July 18, 2022, which provided *notice of intention* to form the CFD, but did not commit the City Council to establish the CFD nor authorize the levy of special taxes or the issuance of bonds. The formation of the CFD will occur after tonight’s public hearing. At the hearing, the Council will be able to complete the formation process and authorize a bonded indebtedness limit.

RECOMMENDATIONS

Staff recommends that the Council hold a public hearing regarding the formation of the proposed CFD No. 2022-1, the levying of special taxes in the CFD, and the future issuance of bonds for the CFD and adopt the resolutions entitled:

1. Resolution of Formation Establishing the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services), and Providing for the Levy of a Special Tax in the Community Facilities District to Finance the Acquisition and Construction of Public Facilities and the Provision of Public Services [**Attachment A**];
2. Resolution Deeming it Necessary to Incur Bonded Indebtedness to Finance the Acquisition and Construction of Public Facilities for the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services) [**Attachment B**]; and
3. Resolution Calling Special Mailed-Ballot Election within the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services) [**Attachment C**].

Staff also recommends that the City Council hold an election regarding the CFD, and adopt the resolution

entitled:

4. Resolution Declaring Results of Special Mailed-Ballot Election within the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services) [**Attachment D**]; and

Finally, staff recommends that the City Council hold the first reading of the ordinance entitled:

5. Ordinance Levying a Special Tax for Fiscal Year 2023-2024 and Following Fiscal Years Solely Within and Relating to the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities & Services) [**Attachment E**].

Following the effective date of the Ordinance, the City will file a Notice of Special Tax Lien for the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services) with Alameda County [**Attachment F**]

BACKGROUND:

After more than a decade of community outreach and planning, on June 21, 2022, the City Council approved planning entitlements for the Monarch Bay Shoreline development, a public-private partnership between the City of San Leandro (City) and Cal Coast Companies LLC, Inc. (Developer) designed to fulfill the community's vision for a self-sustaining, high-quality, mixed-use development complemented by recreational amenities along the San Francisco Bay. The San Leandro Monarch Bay Shoreline Area is bounded by Marina Blvd to the north, the San Francisco Bay to the west, and Fairway Drive to the south.

Additionally, on June 21, 2022, the City Council approved a Development Agreement for the project and a Second Amendment to the Disposition and Development Agreement and Purchase and Sale Agreement related to the sale and development of the land currently owned by the City in the project area.

To meet the City's policy goal of fiscal neutrality for the Shoreline project, the agreements between the City and the Developer for the project contemplated the formation of a community facilities district (CFD) under the Mello-Roos Communities Facilities Act of 1982 (Mello-Roos Act). Special taxes levied on taxable property within the CFD will provide a funding source for public infrastructure and public services needed for the project, payable solely by property owners or lessees of City-owned property located within the boundary of the CFD / new development, and not other residents of the City. To ensure the CFD special taxes do not materially adversely impact the project, City staff has been in communication with the Developer on the terms of the proposed CFD.

On July 18, 2022, the Council adopted two Resolutions of Intention, which provided *notice of intention* to form the CFD.

Analysis

The proposed CFD special taxes will be used to fund ongoing services and can also provide financing for infrastructure, including future sea level rise adaptation efforts, through the issuance of bonds or pay-as-you-go funding.

In accordance with the Mello-Roos Act, the proposed CFD will be authorized to finance the purchase, construction, expansion, improvement or rehabilitation of **Facilities** with an estimated useful life of five years or longer, together with the planning, design and permitting of work related to the same. Facilities authorized to be funded include, but are not limited to:

- Transportation facilities,
- Water, sewer and storm drain facilities,
- Sea walls and sea-level-rise facilities, and
- Parks, parkways, trails, paths and open space.

The proposed CFD will also be authorized to finance **Services** related to the operations and maintenance of improvements and Facilities, to be performed by City employees or contractors, including but not limited

to:

- Furnishing, operating and maintaining equipment,
- Apparatus or facilities related to providing the service and equipment,
- Salaries and benefits of personnel or consultants to provide the Services and administer the CFD,
- Payment of insurance costs and other related expenses, and
- Reserves for repairs, replacements and the future provision of Services.

All property located in the CFD boundaries will be subject to the special tax that will be levied and collected with the County of Alameda secured property-tax bills. Funds may be used in areas outside of the CFD, as deemed appropriate by the City through its annual budgeting process.

Based on the proposed Shoreline development timeline, it is estimated that the special tax will be levied no sooner than FY 2023-2024 for “Developed Property” located in the boundaries of the proposed CFD. A property is classified as Developed Property once a building permit is pulled.

The exact timing of a future CFD bond sale secured by special tax revenues will be determined based upon the build-out of the project and the need for bond-financed facilities and will be subject to City Council approval at a future meeting. The administration of the CFD may be paid for by special tax revenues.

Per the Rate and Method of Apportionment (“RMA”) prepared by the City’s Special Tax Consultant, NBS, all property located within the boundaries of the CFD will have a special tax levied against it. The estimated special taxes are provided below:

Estimated Special Taxes

1. Single Family Residential Property - \$5,500 per Dwelling Unit
2. Townhome Property - \$4,500 per Dwelling Unit, \$1,900 per Below Market Rate Unit
3. Apartment Property - \$887.25 per Dwelling Unit
4. Hotel Property - \$2.48 per square foot of Non-Residential Floor Area
5. Non-Residential Property - \$2.18 per square foot of Non-Residential Floor Area

Based upon input from the Developer and prevailing special tax rates for other Bay Area cities’ CFDs, staff recommends the Effective Tax Rate for Residential Property within the CFD be set at 1.70% of the estimated sales price of the residential unit.

CFD Formation Process

The proposed CFD will meet all requirements of the City’s existing local goals and policies for CFDs.

Staff recommends that the City Council should receive and file the Hearing Report prepared at the direction of the City Council and available at the meeting, and conduct a public hearing regarding (a) the establishment of the new CFD, (b) the levy of special taxes on property in the CFD, (c) the necessity to incur bonded indebtedness for the CFD, and (d) the establishment of an appropriation limit for the new CFD.

If, following the public hearing, no majority protest by owners of 50%+ of acreage owned within the CFD (note the City currently owns all of the land) has been filed pertaining to the establishment of the CFD or the levy of special taxes within the new CFD, the City Council will consider the adoption of the following resolutions below:

1. Resolution of Formation Establishing the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services), and Providing for the Levy of a Special Tax in the Community Facilities District to Finance the Acquisition and Construction of Public Facilities and the Provision of Public Services;
2. Resolution Deeming it Necessary to Incur Bonded Indebtedness to Finance the Acquisition and Construction of Public Facilities for the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline

Facilities and Services); and

3. Resolution Calling Special Mailed-Ballot Election within the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services).

Following the adoption of the above resolutions, the City Clerk will tabulate the ballots cast in the special election called for the new CFD to enable the qualified electors (i.e., the City as landowner) of the new CFD to vote on ballot questions regarding (a) the authorization to levy special taxes within the CFD, (b) the authorization to issue bonds secured by the levy of such special taxes and (c) the establishment of an appropriations limit for the CFD. The City, as the sole owner of the land in the CFD, is the only entity to vote in the election.

If the result of the special election reveals that the propositions have received the affirmative vote of the City, the City Council would then take the following actions to complete the authorization to levy the special tax:

Adopt the following resolution:

Resolution Declaring Results of Special Mailed-Ballot Election within the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services); and

Hold the first reading of the following ordinance:

Ordinance Levying a Special Tax for Fiscal Year 2023-2024 and Following Fiscal Years Solely Within and Relating to the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services).

Following the effective date of the Ordinance, the City will file a Notice of Special Tax Lien for the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities and Services) with Alameda County.

Conclusion and Next Steps

Conduct a Public Hearing and adopt the attached resolutions and ordinance to complete the formation of the CFD.

Following these proceedings, the proposed schedule to complete the formation of the CFD is as follows:

- September 20, 2022: Second reading of ordinance authorizing special tax levy;
- October 20, 2022: Special Tax Ordinance becomes effective.

The resolutions, ordinance and related documents were prepared and reviewed by the City's Finance team, which includes bond counsel, the municipal advisor, and the special tax consultant, as well as the City Attorney.

Financial Impacts

There is no fiscal impact on the City to form the CFD and issue bonds for the CFD. All costs to form the CFD will be reimbursed to the City. Additionally, the CFD special taxes will provide a funding source for public infrastructure and public services needed for the Shoreline project, payable solely by those owning or leasing taxable property located within the boundaries of the CFD. The annual costs to administer the CFD and any bonds issued for the CFD are paid from annual special taxes to be accounted for in a special fund and to be levied annually on property owners or lessees of City-owned property within the boundaries of the CFD.

ATTACHMENTS:

- **Attachment A:** Resolution of Formation establishing CFD No. 2022-1 and authorize the levy of a special tax within CFD No. 2022-1 (the "CFD"), including the following Exhibits:
 - *Exhibit A* - Boundary Map
 - *Exhibit B* - Facilities List
 - *Exhibit C* - Services List

- *Exhibit D* - Rate and Method of Apportionment
- *Exhibit E* - Hearing Report
- **Attachment B:** Resolution deeming it necessary to Incur Bonded Indebtedness for the CFD
- **Attachment C:** Resolution calling special mailed-ballot election for the CFD, including the following Exhibit:
 - *Exhibit A* - Ballot Measure Language
- **Attachment D:** Resolution declaring results of special-mailed ballot election within the CFD, including the following Exhibit:
 - *Exhibit A* - Clerk Statement of Election Results
- **Attachment E:** Ordinance levying a special tax for Fiscal Year 2023-24 and following fiscal years solely within and relating to the CFD
- **Attachment F:** Notice of Special Tax Lien

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