



Legislation Text

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Adopt Two Resolutions: 1. Declaring Intent to Form the City of San Leandro Community Facilities District (CFD) No. 2022-1 (Monarch Bay Shoreline Facilities & Services) (the “CFD”) and 2. Authorize Future Bonded Indebtedness for the Proposed CFD No. 2022-1

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 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 boundary 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 are two Resolutions of Intention (Attachments A and B), which provide *notice of intention* to form the CFD, but do 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 a public hearing, scheduled for September 6, 2022. At that hearing, the Council will be presented with additional information regarding the CFD, the special taxes, and public facilities and services.

RECOMMENDATIONS

Staff recommends that the Council adopt:

1. Resolution of Intention to Establish the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities & Services), and to Levy 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 of Intention to Incur Bonded Indebtedness to Finance the Acquisition and Construction of Public Facilities in and for the City of San Leandro Community Facilities District No. 2022-1 (Monarch Bay Shoreline Facilities & Services)

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 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 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 diligently coordinating with the Developer on the terms of the proposed CFD.

Analysis

The proposed CFD special taxes will be used to fund ongoing services and can also provide bond funds for infrastructure, including future sea level rise adaptation efforts. 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. Based on the proposed Shoreline development timeline, it is estimated that the special tax will be levied beginning in 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 taxes 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. The administration of the CFD will initially be contracted out to the City's existing special tax consultant, NBS, and 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 in the table below:

Land Use Class	Land Use Type	Assigned Special Tax
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	\$877.25 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. The table below illustrates the Total Property Taxes for residential units:

Tax Burden and Sample Tax Rates					
Category	Price Point	Base Property Taxes	Existing Fixed Charges	Proposed CFD Special Tax Rates	Total Property Tax Rate
Single Family Residential	\$1,311,243	\$16,056.54	\$756.10	\$5,500.00	1.702%
Townhome	\$1,103,300	\$13,495.55	\$756.10	\$4,500.00	1.700%
Townhome BM	\$547,900	\$6,659.02	\$756.10	\$1,900.00	1.700%

CFD Formation Process

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

The proceedings to consider the establishment of the CFD will be initiated by the adoption of the two resolutions discussed below.

1. Resolution of Intention to establish CFD No. 2022-1 and to authorize the levy of a special tax within CFD No. 2022-1 (Attachment No. 1). This resolution does the following: (a) describes the territory of the boundaries of the CFD; (b) describes the types of facilities and services that will be financed with the special taxes and proceeds of bonds; (c) describes the rate and method of apportionment of the special taxes to be levied in the CFD; (d) calls a public hearing to be held on September 6, 2022; and (e) describes the proposed voting procedures for the CFD, which would be for the landowners within the CFD to vote.
2. Resolution of Intention to Incur Bonded Indebtedness of the Community Facilities District (Attachment No. 2). This resolution states the not-to-exceed amounts for bonds to be issued by the CFD and declares that the special taxes to be levied within the CFD are to be used for direct payment of facilities, as well as the payment of the debt service on the bonds of the CFD. The resolution also calls a public hearing for September 6, 2022.

Conclusion and Next Steps

Adopting the attached resolutions of intention is the first step to establish the CFD, authorize special taxes, and incur a bonded indebtedness. The formation of the CFD will occur after a public hearing,

scheduled for September 6, 2022. At that hearing, the Council will be presented with additional information regarding the CFD, the special taxes, and public facilities and services. The public will also have the opportunity to comment on the CFD. After the conclusion of the September 6, 2022 public hearing, the Council may take the following actions:

1. Adopt resolutions establishing the CFD and declaring need for bonded indebtedness;
2. Call a special landowner election;
3. Conduct the election, with the City as the sole landowner voter;
4. Adopt a resolution declaring the results of the election;
5. Introduce for first reading an ordinance authorizing the levy of special taxes in the CFD.

The adoption of the two resolutions of intention under consideration this evening will not commit the City Council to establish the CFD nor authorize the levy of special taxes or the issuance of bonds. The City Council may establish the CFD only after conducting the September 6 public hearing and election. Following the September 6 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 and related documents were prepared and reviewed by the City's finance team, which includes bond counsel, municipal advisor, and special tax consultant.

Financial Impacts

There is no fiscal impact on the City to declare the City's intention 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 project, payable solely by those located within the boundary 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 owner or lessees of City-owned property within the boundaries of the CFD.

ATTACHMENTS:

Attachment A: Resolution of Intention to establish CFD No. 2022-1 and authorize the levy of a special tax within CFD No. 2022-1

Exhibit A - Boundary Map

Exhibit B - Facilities List

Exhibit C - Services List

Exhibit D - Rate and Method of Apportionment

Attachment B: Resolution of Intention to Incur Bonded Indebtedness for CFD No. 2022-1

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