

**REPORT TO THE  
CITY COUNCIL**  
*City of Salinas, California*

DATE: October 18, 2016

FROM: Matt N. Pressey, CPA, Finance Director

SUBJECT: **MONTE BELLA COMMUNITY FACILITIES DISTRICT (CFD) FORMATION**

**RECOMMENDATIONS:**

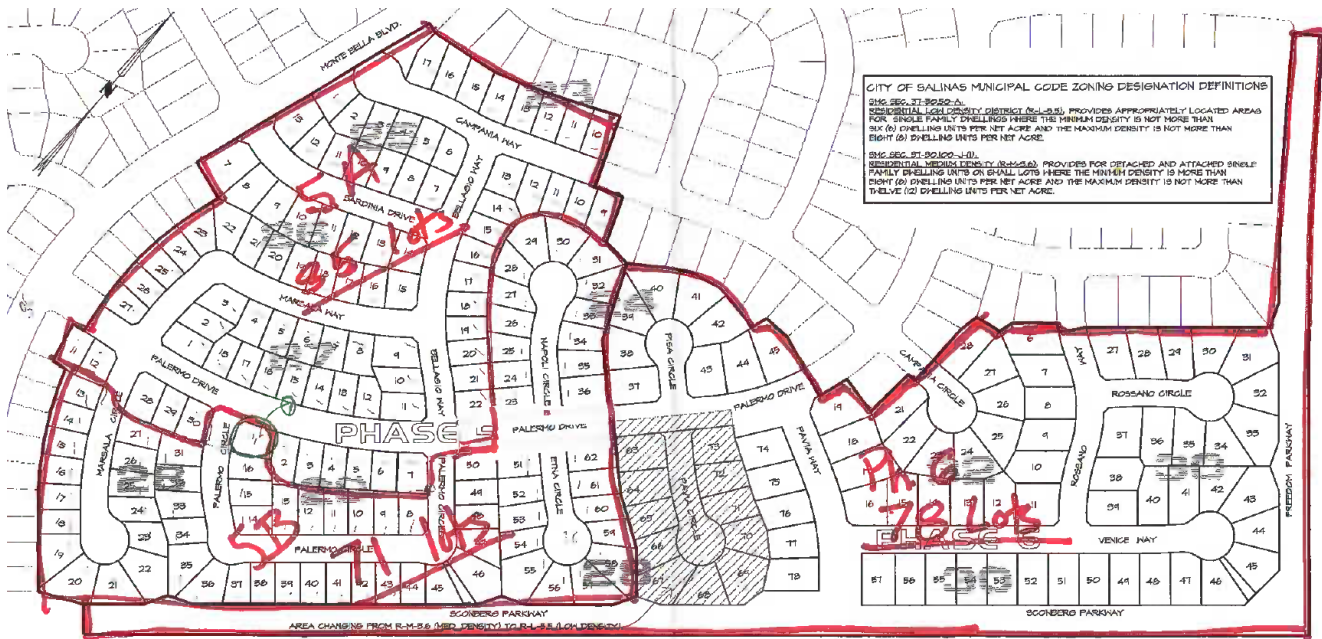
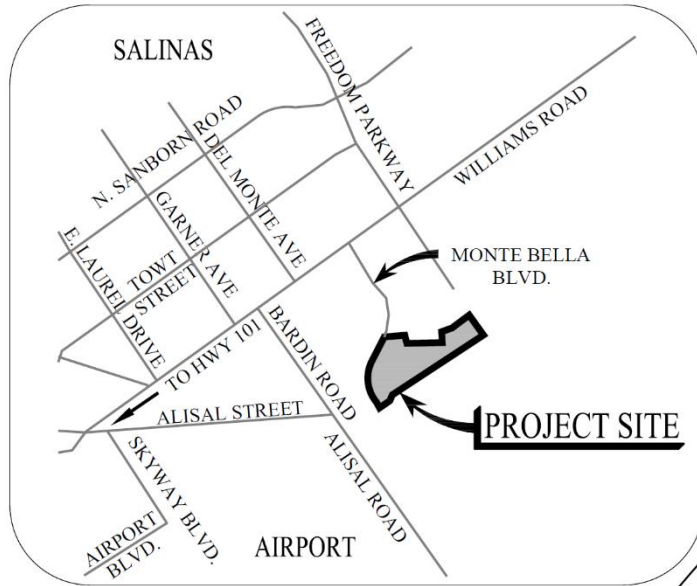
It is recommended that the City Council:

1. Authorize City Manager to execute Reimbursement Agreement between the Developer and the City providing for a deposit to cover costs of formation of Community Facilities District No. 2016-1 (Monte Bella) and Improvement Area Nos. 1, 2 and 3 therein; and
2. Adopt resolution approving amended revised Financial Policies and adopting Local Goals and Policies; and
3. Adopt a resolution declaring its intention to establish Community Facilities District No. 2016-1 (Monte Bella) and Improvement Area Nos. 1, 2 and 3 therein, to authorize the levy of a special tax to pay the cost of acquiring or constructing certain public facilities, and paying for certain incidental expenses and to pay debt service on bonded indebtedness, and
4. Adopt a resolution to incur bonded indebtedness within Community Facilities District No. 2016-1 (Monte Bella) and Improvement Area Nos. 1, 2 and 3 therein.

**DISCUSSION:**

The City has received a petition from the landowners of the Monte Bella development requesting the City form a Community Facilities District (CFD) to finance certain public improvements. The Monte Bella development is located east of the Salinas Municipal Airport off of Monte Bella Boulevard as shown in the map on the next page. The CFD will encompass the final 2 phases of the Monte Bella development (Phase 5 and 6). Phase 5 is divided up into two improvement areas (1 and 2). Improvement area 1 includes 85 lots and improvement area 2 includes 71 lots. Phase 6, or improvement area 3, includes 78 lots. The average home price is estimated at \$502,994 and the average square feet home size is 2,328.

Proposed fees and facilities total \$10,243,887. The list of proposed public improvements totals \$8,823,039 and include, roads, sidewalks, storm drains, street lights. The estimated eligible fees including sanitary sewer, storm drain and traffic capital impact fees total \$1,420,848.



The Developer has deposited the amount of \$25,000 and will deposit an additional \$30,000 with the City to cover estimated expenses associated with the formation, to be applied in accordance with the Reimbursement Agreement presented with this staff report.

The CFD would establish an annual special tax to be levied against the developer’s property. Based on the proposed rate and method of apportionment of special taxes, the following tax rates would apply in each Improvement Area:

**Proposed Special Tax Rates for Improvement Area Nos. 1 and 2**

Land Use Type	Building Square Footage	Improvement Area Nos. 1 and 2 Rate per Unit
Single Family Property	Up to 1,800 SF	\$2,337
Single Family Property	1,801 SF to 2,000 SF	\$2,427
Single Family Property	2,001 SF to 2,200 SF	\$2,524
Single Family Property	2,201 SF to 2,400 SF	\$2,623
Single Family Property	Greater than 2,400 SF	\$2,720

**Proposed Special Tax Rates for Improvement Area No. 3**

Land Use Type	Building Square Footage	Improvement Area No. 3 Rate per Unit
Single Family Property	Up to 2,250 SF	\$2,492
Single Family Property	2,251 SF to 2,500 SF	\$2,654
Single Family Property	2,501 SF to 2,750 SF	\$2,785
Single Family Property	Greater than 2,750 SF	\$2,882

The tax rate, including all other taxes is an average of 1.94% and is within the 2% cap recommended for this financing. The special taxes will be fixed annual amounts and will not escalate.

The special taxes shall cease not later than the 2046-47 Fiscal Year, provided however that the special taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD Bonds have been paid; (ii) all authorized facilities for the CFD have been acquired and all reimbursements for eligible facilities have been paid, (iii) no delinquent special taxes remain uncollected and (iv) all other obligations of the CFD have been satisfied.

The maximum bond authorization amount for each Improvement Area is as follows:

Improvement Area No.	Maximum Bond Authorization
1	\$3,575,000
2	\$3,025,000
3	\$4,400,000

A special election of the property owners will be held following a public hearing on the creation of the CFD. The public hearing and special election will be scheduled for the regular City Council meeting on November 29, 2016.

State law requires the City Council to consider and adopt local goals and policies prior to the consideration of formation of a Community Facilities District. The City's existing Financial Policies address assessment district and community facilities district financing, among other things. The

amended Financial Policies presented with this item are expanded to cover specific items related to community facilities districts under state law, such as certain credit and appraisal standards to be applicable to such financing. The policies also include requiring the Community Facilities Districted debt services to be fixed through a 30-year bond life and not escalate over time similar to most home mortgages.

**ISSUE:**

Shall the City Council:

1. Authorize City Manager to execute Reimbursement Agreement between the Developer and the City providing for a deposit to cover costs of formation of Community Facilities District No. 2016-1 (Monte Bella) and Improvement Area Nos. 1, 2 and 3 therein; and
2. Adopt resolution approving amended revised Financial Policies and adopting Local Goals and Policies; and
3. Adopt a resolution declaring its intention to establish Community Facilities District No. 2016-1 (Monte Bella) and Improvement Area Nos. 1, 2 and 3 therein, to authorize the levy of a special tax to pay the cost of acquiring or constructing certain public facilities, and paying for certain incidental expenses and to pay debt service on bonded indebtedness, and
4. Adopt a resolution to incur bonded indebtedness within Community Facilities District No. 2016-1 (Monte Bella) and Improvement Area Nos. 1, 2 and 3 therein?

**FISCAL IMPACT:**

There is no direct fiscal impact of this CFD formation to the City. The developer has placed a deposit with the City to cover the cost of district formation pursuant to the Reimbursement Agreement. Additional deposits will be required from the developer to cover the cost of bond issuance at that time. If formed, the CFD will cover all costs related to the CFD.

**COUNCIL COMMISSIONS AND COMMITTEES:**

On September 15, 2015, the developer, special tax consultant for the developer, bond counsel, and the special tax consultant for the City met with the Finance Committee and reviewed the development and CFD proposal was presented. The CFD policies were also discussed and the recommended changes were presented.

**ALTERNATIVES:**

1. Modify terms of the CFD
2. Not move forward with the CFD formation

**CITY COUNCIL GOALS:**

This financing accomplishes all five City Council goals of Economic Diversity and Prosperity, Safe, Livable Community, Effective, Sustainable Government, Excellent Infrastructure, and Quality of Life.

## **CONCLUSION:**

This is the first development of new homes for over ten years and is the beginning of many more as the future growth area begins to come on-line. The financing of public infrastructure will help development move forward.

### Back Up Pages:

Reimbursement Agreement

Financial Policies

City Resolutions

Proposed Boundary Map

Petition from Landowner