





City of Carson Report to Successor Agency

April 17, 2012
New Business Discussion

SUBJECT: CONSIDER CONCURRENCE WITH THE CITY'S INTENTION TO FORM COMMUNITY FACILITIES DISTRICT NO. 2012-2 TO LEVY SPECIAL TAXES, ISSUE BONDS AND FUND PUBLIC INFRASTRUCTURE


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Economic Development General Manager


Approved by David C. Biggs
City Manager

THIS IS A COMPANION AGENDA ITEM

I. SUMMARY

On March 9, 2009 (Exhibit No. 3) the Carson Redevelopment Agency (Agency) approved the Second Amendment to the Owners Participation Agreement (the OPA) between the Agency and Carson Marketplace LLC. The terms of the OPA included the formation of a community facilities district (CFD) for certain public infrastructure improvements on the site. The formation of Community Facilities District No. 2012-2 of the city of Carson (The Boulevards at South Bay-Capital Improvements) meets this requirement of the city's Policy (as defined below) and provides reimbursement to Carson Marketplace for up to \$20 million in public infrastructure costs. The reimbursement would be funded from the sale of special tax bonds paid solely from special taxes levied against the property subject to the tax. The bond sales are proposed in 2016 and 2018 assuming the project is developed as planned. The adoption of Resolution No. 12-043 (Exhibit No. 1) and Resolution No. 12-045 (Exhibit No. 2) is the first step in the formation of a CFD by the city the expression of its intentions.

II. RECOMMENDATION

AUTHORIZE concurrence with the city's intention to form Community Facilities District No. 2012-2 to levy special taxes, issue bonds and fund public infrastructure.

III. ALTERNATIVES

1. DO NOT approve.
2. DELAY approval to subsequent meeting pending further information or changes.
3. TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The Mello-Roos Community Facilities Act of 1982 (Act) provides a financing mechanism to fund certain public improvements and services. On July 25, 2006 (Exhibit No. 4), the Carson Redevelopment Agency approved the Owner Participation Agreement between Carson Marketplace LLC and the Agency. The Agreement was amended on May 20, 2008 (Exhibit No. 5), and March 9, 2009 (Exhibit No. 3) (collectively known as the OPA). The terms of the OPA included the formation of a CFD for certain public infrastructure improvements on the site, reimbursement of debt service

payments from the Merged and Amended Project Area tax increment, and other conditions. The OPA contemplates that the Agency will issue one or more series of CFD Bonds to purchase/reimburse up to \$20 million in actual infrastructure costs from the proceeds of the CFD Bonds. With the dissolution of the Agency, the developer has now requested the city to form the CFD. The term of the infrastructure CFD Bonds will not exceed the remaining limit of the former Merged and Amended Project Area to receive tax increment or 2033/34 (prior to ABX1 26), as approved in the OPA, as certain debt service is intended to be reimbursed by tax increment. The special tax to pay the bond debt service would be levied on the apartments, hotels rooms, and on commercial properties. The obligation of the Agency, now the Successor Agency, to reimburse annual debt service from the Merged and Amended Area is triggered by the generation of sales tax collected by the city. The sales tax threshold for full reimbursement is \$4 million received by the city for 12 consecutive months. Until the \$4 million is received 50% of the amount of sales tax received will be used as the measure of reimbursement rates for the tax increment. The obligation to reimburse annual debt service is to the Carson Marketplace LLC who will presumably assign such right to reimbursement to future property owners. Depending on the timing of the bond issuances, the bond debt service due, and the sales tax generated, it may be possible to credit money received for prior years' debt service from the County against future years' payments thus reducing or eliminating the levy of special taxes for debt service. How this might work is not yet clear and is subject to further review.

The city has adopted a Land Secured Financing Policy (Policy) in connection with the formation of CFDs. This CFD would appear to meet the initial requirements of the Policy for taking the step to form CFD No. 2012-2.

The CFD will not issue bonds that are in violation of the city's policy. This will require land appraisals and certain value to lien ratios including review and approval of the city's bond consultants. The CFD bonds would be secured by the privately owned above ground parcels and buildings, which land would be subject to foreclosure if taxes became delinquent. Given the high land value and high likelihood that no bonds would be sold until construction is complete or well underway the value of the property should far exceed the authorized \$30 million in bonds.

The proposed CFD also provides a public benefit by helping to facilitate the development of the Boulevards at South Bay. This is a costly project, including the remediation systems, and all the public infrastructure required by the project. No special tax shall be levied on below ground parcels. Additionally, no special tax shall be levied on public property and/or property owner association property in CFD No. 2012-2.

The special tax would be levied on the apartments, hotels property, and on commercial properties. The total effective tax rate based on projected assessed value is close to or under 2% for this CFD if the reimbursement obligation under the OPA is available and the sales tax threshold is reached. However, without the reimbursement, the total effective tax rate is over 2% for the hotel (2.155%) and apartment projects (2.155%) and commercial (2.853%). Regardless, the projected tax burden meets the criteria of the Policy which specifies the 2% limit for residentially owned properties. apartment, hotel

and commercial property owners are deemed sophisticated owners and investors and can assess the impact of higher tax rates. The Policy does not require the 2% limit for such properties.

As is normal with CFDs, the city is under no obligation to pay bond debt service. The city is forming the CFD solely to pay debt service from special taxes.

The city as issuer of CFD bonds has no obligation to pay debt service and there is no direct impact on the city's credit or credit rating. However, the city will be obligated to levy and collect the tax and foreclose if there are delinquencies. The city will want to be sure the bonds are credit worthy and follow its policies and provide that any disclosure provided to investors is complete and meets all the requirements of the law. As with CFD 2012-1, the city will also need to approve the disclosure of the maximum special levy on all property owners and renters as required by law or by policy of the City Council.

The first step in the formation of the CFD is for the city to express its intention to form the CFD and issue bonds as is being requested. The resolution of intention to form the CFD describes the services to be funded, attaches a map of the scope of the CFD (Exhibit No. 6) and describes the special tax formula (Exhibit No. 7). The taxes are apportioned equitably between the various land use classes on the property and the cost of financing the infrastructure as determined by the special tax consultant. The taxes are generally proposed to be as follows:

Hotel Property: \$1,030.00 per unit per year

Apartment Property: \$1,115.00 per unit

Commercial Property: \$1.718 per square foot of Non Residential Leasable Area

There is a backup tax if the levy is insufficient. The second resolution declares the city's intention to issue bonds to purchase the infrastructure. The facilities to be purchased include Lenardo Drive, and all off-site public improvements associated with the project, and certain public fees as described on Exhibit B to the first resolution.

Following adoption of the initial resolutions, the city will continue with the process for forming the CFD. As directed in the resolution, the City Clerk will publish notices of public hearings related to the formation of the CFD. The hearing is set for June 5, 2012. At the hearing the city will determine whether to form the CFD depending on the number of written protests received. Once the city has formed the district, an election will be called and held related to the special tax, and the setting of an appropriations limit. The property owner can waive certain time periods for the election as permitted by the Act. Once the election takes place and if a 2/3 vote is received, the city may adopt an ordinance levying the tax. The election will be a special tax election of the landowners in the CFD. The CFD will issue bonds at a later date.

The city will enter into agreements with the property owner and other agencies related to the funding of the facilities. The formation process could take from three to six months.

The city is in receipt of a petition (including consent and waiver) and a Deposit and Reimbursement Agreement (Exhibit No. 8) wherein the property owner has promised to pay the costs of the formation and will be reimbursed from special taxes.

Following the adoption of the Resolutions of Intention for CFD 2012-2, there are a number of other actions required before the CFD is formed. Bonds are not proposed until 2016. The special tax rates presume two series of bonds both with 2 years of capitalized interest. All bonds would be repaid by 2034.

Staff will be undertaking further review of CFD 2012-2 prior to any final action by the City Council.

V. FISCAL IMPACT

No direct impact on city general fund costs. All costs of CFD formation are funded by applicants Deposits and Reimbursement Agreement. The special taxes will be used to pay debt service on the bonds.

VI. EXHIBITS

Exhibits are located in the City Council Companion items.

Prepared by: _____

TO:Rev03-08-12

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development	Public Services

Action taken by City Council

Date_____ Action_____