


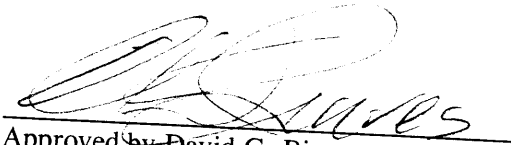


City of Carson Report to Mayor and City Council

April 17, 2012
New Business Discussion

SUBJECT: CONSIDER RESOLUTION NO. 12-041 FOR APPROVAL OF LAND SECURED FINANCING POLICY


Submitted by Clifford W. Graves
Economic Development General Manager


Approved by David C. Biggs
City Manager

I. SUMMARY

On March 9, 2009 (Exhibit No. 2) the Carson Redevelopment Agency (Agency) approved the Second Amendment to the Owner Participation Agreement (the OPA) between the Agency and Carson Marketplace LLC (Owner). The terms of the OPA included the formation of a community facilities district (CFD) for certain public infrastructure improvements on the site. The Owner has also requested CFDs related to environmental maintenance services on the land, and certain other services like police, fire and street maintenance. The Mello-Roos Community Facilities Act of 1982 (Act) and Section 53312.7 of the California Government Code, which became law in 1994 requires that local goals and policies be adopted. The attached Resolution No. 12-041 (Exhibit No. 1) approves the City of Carson Land Secured Financing Policy (Policy) (Exhibit No. 3). This Policy is required by the Act and for the CFD's related to the Carson Marketplace Project, but will also apply to future CFDs and Assessment Districts. The Policy provides a guide for developers who might request city assistance and helps assure that any subsequent bond issuance is responsibly undertaken.

II. RECOMMENDATION

WAIVE further reading and ADOPT Resolution No. 12-041, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, APPROVING A STATEMENT OF GOALS AND POLICIES FOR THE USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982 AND OTHER LAND-SECURED FINANCING, INCLUDING ASSESSMENT DISTRICTS."

III. ALTERNATIVES

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

IV. BACKGROUND

On March 9, 2009 (Exhibit No. 2), the Carson Redevelopment Agency approved the Second Amendment to the OPA between the Agency and Carson Marketplace LLC. 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, and other conditions. The OPA contemplates that the Agency will issue CFD Bonds to reimburse up to \$20 million in actual infrastructure costs. The

term of the CFD Bonds will not exceed the remaining term of the former Merged and Amended Project Area or 2033/34. The obligation of the Agency, now the city of Carson as Successor Agency, to reimburse annual debt service of the CFD from the Merged and Amended Area tax increment is triggered by the generation of sales tax collected by the city. The sales tax threshold for full reimbursement is \$4 million of sales tax 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 of tax increment. The Mello-Roos Community Facilities Act of 1982 (CFD) and Section 53312.7 of the California Government Code, which became law in 1994, as amended, requires that local goals and policies be adopted. The policies shall include at least the following:

- a. A statement of the priority that various kinds of public facilities and services shall have for financing including public facilities to be owned and operated by other public agencies.
- b. A statement concerning the credit quality to be required of bond issues, including criteria to be used in evaluating the credit quality.
- c. A statement concerning steps to be taken to ensure that prospective property purchasers are fully informed about their taxpaying obligations.
- d. A statement concerning criteria for evaluating the equity of tax allocation formulas, and concerning desirable and maximum amounts of special tax to be levied against any parcel.
- e. A statement of definitions, standards, and assumptions to be used in land appraisals.

The proposed Policy meets and exceeds the above State law requirements. The Policy also is expanded to cover the issuance of Assessment District Bonds. Assessment District bonds share many of the same credit and policy concerns. The city currently has two assessment district bonds outstanding.

The proposed Policy addresses not only CFD for bonds but also CFD's for services. CFD special taxes can also be levied to pay for maintenance of public improvements, including remediation improvements and public services such as police, fire and street maintenance. Although not required by the OPA, additional services CFDs are being proposed by Carson Marketplace LLC to help fund the maintenance cost of the environmental remediation and ongoing additional police services, street maintenance and other services.

The following are excerpts from key sections of the Policy:

"The City supports the development of commercial, residential, hotel or industrial property which results in reciprocal value to the City (i.e., increased jobs, property or sales tax revenues, major public improvements)"

"An appraisal of the property shall be required if the property is subject to any lien or tax required to secure any public financing. The City requires a District-wide value-to-lien ratio of at least 3:1 for the District"

April 17, 2012

“With respect to community facilities districts and other land-secured financing districts, full disclosure of the special tax or assessment lien shall be in compliance with applicable statutory authority. The City, in its sole judgment, may require additional property owner notification if it deems such disclosure will assist subsequent property owners awareness of the lien obligation”

“It is recommended that the projected ad valorem property tax and other direct and overlapping debt for the proposed development project, including the proposed maximum special tax, should not exceed two percent (2%) of the anticipated assessed value of each improved parcel upon completion of the improvements subject to limited exceptions for non residentially owned properties including apartment buildings, as determined by the City Council”

With respect to CFD costs, the Policy requires that an advance deposit and reimbursement agreement shall be executed and a sum sufficient to pay all fees and costs for the district formation shall be deposited with the city by the proponents of the district prior to the beginning of formation proceedings. The reimbursement agreement may provide a mechanism for ongoing contributions in-lieu of all costs being deposited at the beginning.

In summary, the proposed Policy must be approved prior to formation of the CFD's being proposed in the companion items. Many cities have such policies and this policy may help guide not only the proposed CFDs related to the Boulevards at South Bay but also future CFDs and Assessment Districts. Now that Redevelopment Agencies are no longer available to assist with financing, land secured financing may become more important.

The Policy provides a guide for developers who might request city assistance and helps assure that any subsequent bond issuance is responsibly undertaken.

V. **FISCAL IMPACT**

No direct impact on city General Fund costs. All costs of CFD formation are funded by applicants Deposits and Reimbursement Agreement.

VI. **EXHIBITS**

1. Resolution No. 12-041. (p. 5)
2. Minutes March 9, 2009, Item No. 1. (pgs. 6-13)
3. City Council Policy on Land-Secured Financing. (pgs. 14-24)

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 _____

RESOLUTION NO. 12-041

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CARSON, CALIFORNIA, APPROVING A STATEMENT OF
GOALS AND POLICIES FOR THE USE OF THE MELLO-
ROOS COMMUNITY FACILITIES ACT OF 1982 AND OTHER
LAND-SECURED FINANCING, INCLUDING ASSESSMENT
DISTRICTS

WHEREAS, pursuant to the Mello-Roos Community Facilities Act of 1982, commencing with Section 53311 of the Government Code of the state of California (Act), prior to commencing any proceedings related to forming a community facilities district, the city is required to adopt policy statements with respect to the following: (1) financing priority of public facilities and services; (2) required bond credit quality; (3) process of informing prospective property purchasers of taxing obligations; (4) equity of tax allocation formula criteria; and (5) appraisal standards under Section 53345.8 of the Act; and

WHEREAS, the city desires to adopt policies to provide for the funding of certain services and improvements in accordance with the Act and other land secured financings like assessment districts; and

WHEREAS, the City Council desires to adopt the policies entitled "Land Secured Financing Statement of Goals and Policies" (Policy) attached hereto as Exhibit A and by this reference incorporated herein.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the city of Carson, California, as follows:

Section 1. That the recitals set forth hereinabove are true and correct in all respects.

Section 2. That the Policy in the form attached hereto as Exhibit A is incorporated herein by this reference and is hereby approved as the local goals and policies of the city for community facilities districts and assessment districts. The Policy is intended to satisfy the requirements of Sections 53312.7 of the Act.

Section 3. That the City Manager of the city is hereby authorized and directed to implement the Policy for and on behalf of the city.

PASSED, APPROVED and ADOPTED this 17th day of April, 2012.

ATTEST:

Mayor Jim Dear

City Clerk Donesia L. Gause, CMC

APPROVED AS TO FORM:

City Attorney

EXHIBIT NO. 01





**MINUTES
CARSON REDEVELOPMENT AGENCY / CITY COUNCIL
SPECIAL JOINT MEETING**

MARCH 9, 2009

ITEM NO. (1) CONSIDERATION OF RESOLUTION NO. 09-05 APPROVING THE SECOND AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND CARSON MARKETPLACE, LLC FOR THE BOULEVARDS DEVELOPMENT PROJECT (PROJECT AREA NO. 1) (ECONOMIC DEVELOPMENT)

THIS IS A COMPANION AGENDA ITEM WITH COUNCIL ITEM NO. 2

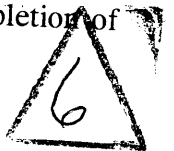
Agenda Item Nos. 1 and 2 were heard concurrently.

City Manager/Executive Director Groomes provided opening and introductory comments and noted that representatives were present this evening.

Economic Development General Manager Graves summarized the staff report and recommendation. He narrated a Powerpoint presentation entitled, "The Boulevards at South Bay Update" (copy on file with the City Clerk/Agency Secretary) and addressed the following items:

- Public Private Partnership
- Project Description
- Proposed Site Plan
- Community Benefits
- Carson Redevelopment History of Projects
- Boulevards at South Bay Development History Overview
- Agency Financial Status
- Negotiating Policies
- Financial Impact on Agency
- Agency Financing & Bond Program - Phase I Completion of Remediation (Corrected total: \$157.9 Million)
- Agency Financing & Bond Program - Phase II Public Infra Structure and Remediation Cost Reimbursement
- Public Investment Safeguards
- Current Amended OPA & Proposed OPA
- 2008 / 2009 Remediation, Vertical Development, Initial Financing, Agency Financing
- 2008 / 2009 Developer (Hopkins/LNR), Agency, Completion of Remediation, Completion of Development, Warranted Assistance

EXHIBIT NO. 02



(Mayor Pro Tem/Chairman Pro Tem Gipson entered the meeting at 6:48 P.M.)

The representatives present introduced themselves as follows:

- Bryan Miranda, LNR Property Corporation
- Ryan Jones, LNR Property Corporation
- John Hopkins, Hopkins Realty Group
- Dennis Roy, Esq., McKenna, Long & Aldridge
- Javier Weckman, TetraTech, Inc.
- Chris Surdzial, Tetra Tech, Inc.
- Debra Daymon, Tetra Tech, Inc.

Mayor/Chairman Dear read the following list of questions raised by the City Council/Redevelopment Agency as potential community concerns (copy on file with the City Clerk/Agency Secretary):

Financial

1. If the City decided not to proceed, what would happen to the site?
2. With all of the uncertainty, how do we know what will finally be built at the site?
3. Will the city suffer program cuts because of its funding?
4. What happens if the developer goes Bankrupt?
5. If the vertical construction of the site does not take place, how does this impact the city?
6. Does the city have safeguards in place to recoup costs?
7. Why should the City move on this now, with so much risk and uncertainty, not to mention our budget problems?
8. How do we know that we can sell bonds these days?
9. With the current market conditions, why is the city still moving forward with the deal?

Environmental

1. How do the environmental issues differ from the Belmont School site?
2. What happens if DTSC does not give a final approval?
3. Are there studies that show that the remediation method taking place is safe?
4. Can the remediation of the site be guaranteed?
5. Can the methane system explode?
6. As the site is being remediated, what happens if new hazardous materials are discovered?
7. How is Tetra Tech protecting resident's health?
8. Dust is flying off the site, affecting the health of nearby residents. Why isn't something being done about it?
9. The Community Advisory Group (CAG) is being ignored; why can't the community have input on what's going on with the remediation?



Developer

1. Why is the developer doing this now, with all the economic uncertainty?
2. What are the developers funding sources beside the cities [sic]?
3. With the pending sale of the South Bay Pavilion, what measures are in place to stop the sites from becoming competing entities due to the new ownership?
4. I hear that the South Bay Pavilion is being sold; how does this affect the project?
5. Having 2 malls across the freeway from each other makes no sense; won't that kill each other off?
6. Who is the developer "really"?

Other

1. How does the development effect [sic] residents:
 - *taxes
 - *property value
 - *crime
 - *goods & services
2. I hear that mobile homes near the site are showing cracks, and even coming loose from foundations; why can't this be stopped?

Responses were provided as follows:

City Manager/Executive Director Groomes reported that there was no alternative to recommend with respect to obtaining financing for the remediation. If it were not funded; remediation would stop.

Agency Attorney Honeywell clarified that the developer was the property owner and legally responsible for the site.

Thomas Cota, DTSC, reported that if the remediation were stopped, the developer would be required to develop a plan for completion of the remediation action plan.

Financial Analyst de Crinis stated that Bank of America was the proposed bond underwriter along with Citigroup.

Economic Development General Manager Graves informed the Council/Agency that the report did not specifically refer to the bond sale because it was not before the body this evening. The bond sale item would be back for action at a later time.

Council/Agency Member Santarina expressed concerns with all of the issues connected with the project, especially how Carson would pay for the interest on the bonds when the developer does not pay.

Whereupon, a discussion ensued regarding: 1) the sufficiency of tax increment being collected to cover the debt service on the bonds; 2) the interest would be paid by growth and tax increment and project area funds; 3) bonds would pay for the remediation; and 4) the increase of land value - project cost estimated at \$900 Million in value of property after remediation.

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Agency Attorney Honeywell clarified that the Agency was merely providing funding and that the burden remained on the developer.

Thomas Cota, DTSC, reported that the consent decree required a responsible party to implement the remediation plan. If development were to stop, DTSC would continue to monitor the site for impacts to the community. Furthermore, DTSC had funds to implement those activities, if necessary. \$7 Million was being committed for remediation.

Agency Attorney Honeywell further reported that the Agency would not be required to do anything under the agreement or any other agreement because it was not an owner on the property. She referred to the question relative to impact and clarified that there was nothing on our part regarding remediation on the site; loss would be the opportunity of millions of tax increment dollars from the site in a project area. She clarified that future assistance would not be available from the Agency. The Agency had no legal responsibility; however, the loss would be the opportunity. She added that there was no likelihood of the passage of legislation regarding the expiration of the project area in 2014 and that the agreements must be in place.

Council/Agency Member Santarina inquired into the parent company of the developer and the status of the \$1 Million Letter of Credit. Whereupon, Economic Development General Manager Graves discussed the LLP status of the developer.

Brian Miranda, LNR Property, 4350 Von Karman, Newport Beach, reported that the parent company was LNR Commercial Properties Investment, LLP.

Economic Development General Manager Graves reported that there was no Letter of Credit. Whereupon, City Manager/Executive Director Groomes clarified that the Agency's role and financial participation focused on remediation and the result would be a clean site. He felt that the project was a worthwhile investment for the community and urged the Council/Agency to focus on what it would take to ready ourselves for the market and to protect the community.

Upon inquiry by Council/Agency Member Davis-Holmes, City Manager/Executive Director Groomes reported that the funding, if approved, would go into a trust account, released incrementally, and that the City could be a co-signer on the funds.

Mayor Pro Tem/Chairman Pro Tem Gipson stated that he would hold his comments until after the public comments. He requested that copies of the questions be provided to the public.

Public Comments

Yolanda Punsalan, 109 W. 224th Place, Carson, California 90745, offered comments in support of the project.

Dr. Rita Boggs, 21328 Island, Carson, California 90745, offered comments relative to the inability of the developer to obtain a Letter of Credit to support the Agency's bond. She felt that the Council/Agency should defer the project to another time.



Jun Punsalan, 109 W. 224th Place, Carson, California 90745, expressed concerned with the uncertain economic situation and requested that the Council/Agency set the project aside. He stated that he did not want the city of Carson to be bankrupt.

Rosann June Like Winter, 105 W. 225th Street, requested that the Council/Agency consider a skating rink or a cheap theatre. She felt that the community did not need a mall because people cannot afford to shop.

(Council/Agency Member Santarina exited the meeting at 7:41 P.M. and reentered the meeting at 7:43 P.M.)

Fe P. Koons, 1631 Balard Street, Carson, California 90745, representing the PAG for the Environment, expressed their excitement for the proposed project and felt that it was a good land use.

Tommy Favae, 605 E. 221st Street, Carson, California 90745, expressed his support for the project because it would bring good jobs for the community.

Eddice Johnson West, 21019 Neptune Avenue, Carson, California 90745, reported that she was experienced considerable damage to her home due to impact of the heavy equipment from summer to first part of December. She wanted to know who would take care of my home if this project did not go through.

Bill Smalley, 17700 S. Avalon Boulevard, No. 111, Carson, California 90746, expressed reservations about the project. He inquired whether a feasibility study was conducted and its availability for public review. He expressed concern about the safety of the entire project and wanted the project in low gear.

Mason Napoleon, 117 E. 214th Street, Carson, California 90745, expressed his support for the project and the Carson Alliance.

Nathaniel "Nate" Riddick, 2723 Monroe Street, Long Beach, California 90810, supported the continuation of the project to make Carson a destination city.

Joe Hernandez, 415 W. Torrance Boulevard, Carson, California 90745, representing Pastor Isaac Canales, Mission Eben-Ezer Family Church, expressed his support for the project.

Kevin Napoleon, 117 E. 214th Street, Carson, California 90745, expressed his support for the project and felt that the project would bring the community together.

Ray Winbush, 19018 S. Tillman Avenue, Carson, California 90746, offered general comments regarding: 1) concern that the company may go bankrupt; 2) discussed the stimulus package; and 3) presence of illegal immigrants who take jobs and requested assurance that illegal immigrants will not be employed.

Miguel Jimenez, 23012 Catskill Avenue, Carson, California 90745, expressed his support for the project and felt that it would encourage people to buy in Carson.

Walter Clark, 20212 Annalee Avenue, Carson, California 90746, expressed his support for the project and felt that staff ought to be trusted to oversee the bond issue.

Kathleen Kendrick, 22526 Dolores, Carson, California 90745, expressed her support for the project because she wanted to see Carson grow and hoped that the children would remain in Carson.



Joseph Walker, 1711 E. Gladwick Street, Carson, California 90746, expressed concern about the jobs. He requested that the Council/Agency ensure that local contractors are hired. He suggested that a training program for HazMat training be developed for the local sub-contractors.

Miriam Vazquez, 21413 Martin Street, No. C, Carson, California 90745, expressed her support for the project.

Marvin Clayton, 426 W. Carson Street, Carson, California 90745, urged the Council/Agency to go forward with the project.

Robert Levenson, 211 E. 222nd Street, Carson, California 90745, urged the Council/Agency to go forward with the project.

Dianne Thomas, 20219 Nestor, Carson, California 90746, stated that she was in favor of remediation and urged the Council/Agency to exercise caution in the financial area. She provided booklets, entitled, "Redevelopment: The Unknown Government - What it is. What can be done," to City Clerk/Agency Secretary Kawagoe to distribute to interested persons.

Robert Lesley, P. O. Box 11164, Carson, California 90749, referred to the line of credit that was denied to the developer because bonds did not meet the criteria of AAA bonds and offered general comments regarding the issues of cost and safety.

RECESS: The City Council/Redevelopment Agency were Recessed at 8:20 P.M. by Mayor/Chairman Dear.

RECONVENE: The City Council/Redevelopment Agency was Reconvened at 8:48 P.M. by Mayor/Chairman Dear with all members previously noted present.

Agency Attorney Honeywell referred to the issue of the LLC and explained the three layers of protection for the remediation of the site as follows: First layer: The City's money will be placed into a trust account with the bank with restrictions to solely reimburse Tetra Tech on an incremental basis with restrictions on the trust account and would run with the land; Second layer: The company itself will be required to pay on the guarantee (corporate guarantee); and Third layer: The company will sign over a deed of trust securing their promises to pay sales tax if they do not build the vertical in time. She reiterated that the Agency's money is protected to make sure that it will be used for the purpose of remediating the property.

City Manager/Executive Director Groomes discussed the investment of the Agency's money -- money that was created to invest into the community.

Administrative Services General Manager Acosta briefly discussed tax increment and how it affects the General Fund.

Financial Analyst de Crinis briefly discussed comments relative to the letter of credit. He reported that all indications now were that bonds can be sold and now had an A + rating from S&P.

Brian Miranda, LNR Property Corporation, clarified the following:

- LNR Property Corporation separated from Lennar Homes.
- The connection with the Chairman of LNR was a familial relationship.



- Due to the state of the housing market, homes will be built in 2014.

John Hopkins, 17461 Darien, Ste.106, Irvine, CA, clarified that the development would not impact the stores in the South Bay Pavilion -- interest has validated their development. Upon inquiry, he clarified that there was not a pending sale for the South Bay Pavilion.

Redevelopment Project Manager Chambers reported on the status of employment opportunities. She stated that there would be endless opportunities when the project goes vertical.

Javier Weckman, TetraTech, Inc., reported that they have made a corporate commitment to hire local services. However, training and experience on a HazMat site was required.

Economic Development General Manager Graves reported that the Economic Development Commission met last Thursday and unanimously voted to advise the Council/Agency to endorse the project.

RECOMMENDATION for the Redevelopment Agency:

TAKE the following actions:

1. REVIEW the business terms of the Second Amendment to the Owner Participation Agreement with Carson Marketplace, LLC.
2. WAIVE further reading and ADOPT Resolution No. 09-05, "A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE SECOND AMENDMENT TO OWNER PARTICIPATION AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND CARSON MARKETPLACE, LLC FOR THE BOULEVARDS DEVELOPMENT (PROJECT AREA NO. 1)."
3. AUTHORIZE the Agency Chair to execute the Second Amendment to the Owner Participation Agreement following approval as to form by the Agency Counsel.

ACTION: WITH FURTHER READINGS WAIVED, it was moved to PASS, APPROVE, and ADOPT Council Resolution No. 09-013 and Agency Resolution No. 09-05, as read by titles only, on motion of Dear and seconded by Williams.

Upon inquiry, staff and representatives present discussed Environmental Questions Nos. 1 through 6.

Upon inquiry, Mr. Hopkins discussed the state of the art display / visitor center.

Council/Agency Member Davis-Holmes stated that she supported living up to Carson's commitment and thanked her colleagues and staff.

A discussion ensued regarding the following issues: 1) what happens if the present developer sells; 2) President Obama's Stimulus Package; 3) with the pending sale of the South Bay Pavilion, what measures were in place to eliminate competing businesses; 4) impact on mobilehomes in the vicinity of deep, dynamic impactation; and 5) concern about the financial stability of all participants.

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The motion was carried by the following vote:

Ayes:	Mayor/Chairman Dear, Mayor Pro Tem/Chairman Pro Tem Gipson, Council/Agency Member Williams, and Council/Agency Member Davis-Holmes
Noes:	None
Abstain:	Council/Agency Member Santarina,
Absent:	None



City of Carson

CITY COUNCIL POLICY

Section: Finance

Date Adopted: April 17, 2012

Subject: **Land-Secured Financing**

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PURPOSE

This policy outlines parameters for the financing of public facilities through the establishment of assessment districts and community facilities districts. It establishes the standards and criteria for the review of these proposed projects in order to determine the feasibility of special district financing given the public policy direction of the City Council of the City of Carson. This Policy designed to comply with Section 53312.7 of the California Government Code. Any proceedings to change any district formed hereunder shall also comply with this policy.

POLICY

- A. The City supports the development of commercial, residential, hotel, or industrial property which results in reciprocal value to the City (i.e., increased jobs, property or sales tax revenues, major public improvements). The City Council will consider the use of community facilities districts (CFDs) or special benefit assessment districts (ADs), as well as other financing methods to assist these types of development. When, in the City's opinion, the public facilities of a residential development represent a significant public benefit, public financing may be considered. Significant public benefit may be defined as a public facility having regional impact and/or benefit to areas beyond the proposed development.
- B. Projects will comply with the requirements of the particular authorizing act, including but not limited to the Improvement Act of 1911, the Municipal Improvement Act of 1913, the Improvement Bond Act of 1915, the Landscape and Lighting Act of 1972, the Benefit Assessment Act of 1982 or the Mello-Roos Community Facilities Act of 1982.

- C. The assessment or community facilities district bonds shall be issued in accordance with the Improvement Act of 1911 or the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982. The applicant may propose a specific financing method, but the final determination of the financing method will be decided by the City.
- D. The proposed development project must be consistent with the City's General Plan and have secured appropriate land use entitlements from the City to allow for the implementation of the ultimate development of the area.
- E. A written request for special district financing should be initiated by the owners of the property subject to payment of the assessments or special tax, as defined per statutory requirements. The City may also initiate the formation of a special financing district.
- F. An advance reimbursement agreement shall be executed and a sum sufficient to pay all fees and costs for the district formation shall be deposited with the City by the proponents of the district prior to the beginning of the formation proceedings. The reimbursement agreement may provide a mechanism for ongoing contributions in lieu of all costs being deposited at the beginning.
- G. An appraisal of the property shall be required if the property is subject to any lien or tax required to secure any public financing. The City requires a District-wide value-to-lien ratio of at least 3:1 for the District. The District property value-to-lien ratio for each individual parcel within the District may be less than 3:1 as long as the overall valuation of the District is at least 3:1. Valuations shall be determined based upon an appraisal of the proposed District properties. Assessed valuation data from the County of Los Angeles may be used for valuation purposes in lieu of an appraisal report subject to review and approval of the City's financial advisor.

The appraiser shall be retained by and the appraisal shall be coordinated by and under the direction of the City. All costs associated with the preparation of the appraisal report shall be paid by the applicant through the advance deposit mechanism. The appraisal shall be conducted by an MAI appraiser in accordance with criteria established by the City, based upon the recommendations received by the City from its bond counsel and/or financial advisor. In every case, the appraisal shall employ either a discounted cash flow or utilize bulk sale comparables and shall fully conform to published guidelines set forth in the Appraisal Standards for Land Secured Financings published by the California Debt and Investment Advisory Commission ("CDIAC Guidelines"), originally dated May 1994 and modified July 2004, as such standards shall be further amended, or as otherwise described herein.

In those instances where the ratio is less than 3:1, credit enhancements must be provided to the satisfaction of the City. These enhancements may include, but are not limited to, letters of credit and/or appropriate insurance. Private placements

may be considered for under 3:1 ratios under some circumstances provided bond denominations are greater than \$100,000 and there are bond transfer restrictions. Any determinations related to appraisal value must comply with the applicable Assessment Act. This section is a statement of Appraisal Standards pursuant to Government Code Section 53312.7(a)(5).

- H. A market absorption study of the proposed development project may be required. The absorption study shall be used to determine if the financing of the public facilities is appropriate given the timing of development and if sufficient revenues will be generated by the project to retire the debt service. The City shall have discretion to retain a consultant to prepare a report to verify market absorption assumptions and projected sales prices of the properties which may be subject to the maximum special tax or assessments in the District. Such a report may be used by appraisers in determining the value of property to be assessed or taxed.
- I. With regard to community facilities districts, the proposed rate and method of apportionment of the special tax shall comply with the following criteria:
1. The special tax formula shall be formulated to ensure taxes are equitable for future property owners and are not disproportionately burdensome to anyone class of property owner.
 2. The projected annual special tax revenues shall include annual administrative expenses and other direct operational costs to the community facilities districts as a result of district formation.
 3. All property not otherwise statutorily exempted, owned, or to be owned by a public entity shall bear its appropriate share of the special tax liability. Non-profits and not-for-profit entities may receive special consideration, if appropriate.
 4. It is recommend that the projected ad valorem property tax and other direct and overlapping debt for the proposed development project, including the proposed maximum special tax, not exceed two percent (2%) of the anticipated assessed value of each improved parcel upon completion of the improvements subject to limited exceptions for non residentially owned properties including apartment buildings, as determined by the City Council. At the time the District is formed, based upon reasonable assumptions reviewed by the City and the Special Tax Consultant, the Special Tax Consultant or other consultant employed by the City shall confirm the assessed value assumptions and special tax calculations on a proposed parcel by parcel basis. For Mello-Roos Districts, the maximum special tax shall be established to ensure that the annual revenue produced by levy of the maximum special tax shall be equal to at least 110% of the average annual debt service.
 5. Each bond issue shall be structured to protect bond owners from default of the issue and to ensure the bonding capacity and credit rating of the City.

[This section is a statement of the Equity of Tax Allocation Formulas pursuant to Government Code Section 53312.7(a)(4)]

- J. With respect to community facilities districts and other land-secured financing districts, full disclosure of the special tax or assessment lien shall be in compliance with applicable statutory authority. The City, in its sole judgment, may require additional property owner notification if it deems such disclosure will assist subsequent property owners awareness of the lien obligation. A Notice of Assessment Lien or Notice of Special Tax Lien shall be recorded against all property within the applicable district. [This section is a statement of steps to be taken to inform property owners of the taxpaying obligation pursuant to Government Code Section 53312.7(a)(3)]
- K. The assessment engineer, appraiser, bond counsel, financial advisor, special tax consultant, underwriter, and other necessary professional and technical advisors shall be selected by and be accountable to the City. The City Manager, in conjunction with these advisors, shall determine whether the aggregate cost of public improvements and permitted indirect costs, allowable under statute, shall equal an amount which renders formation of a district, both economically cost-effective and efficient prior to the City approving the formation of the District. The par amount of bonds shall be recommended by the City Manager for approval by the City Council. The issue shall be sized by the City Manager, in conjunction with City financial advisors, and shall meet industry standards with respect to marketability. Minimum district bond size shall approximate \$3 million.

All statements and materials related to the sale of special tax bonds (community facilities districts) and improvement bonds (assessment districts) shall emphasize and state that neither the faith, credit, nor the taxing power of the City of Carson is pledged to the repayment of the bonds, nor that there is an obligation of the City to replenish the reserve fund from revenue sources other than special taxes, annual assessments or proceeds from foreclosure proceedings. The City has no contingent liability for the debt service. Property Owners of greater than 10% of debt service may be required to provide disclosure information in connection with the bond issue and ongoing disclosure in connection with a Continuing Disclosure Agreement to be entered into in connection with the issuance of bonds.

PROJECT CRITERIA

Special district financing shall be considered for development projects which facilitate commercial and industrial development within the community thereby improving the jobs-housing balance. Formation of districts will also be considered for major development projects whose mix of residential, commercial and industrial land use maintain or improve this jobs housing ratio and whose public improvements contribute to the regional development of the area through:

- Major streets and arterial thoroughfares.

- Master planned storm drain facilities.
- Regional sewer and/or water facilities.
- Reclaimed water distribution systems.
- Other major public infrastructure or community facility improvements required as a result of the development or its impact on the community.
- Improvements related to Environmental Remediation Systems, when appropriate.
- Capital Facilities Fees imposed by the City and other Governmental Agencies related to the above Projects.

Infrastructure and facility improvements, conditioned as a result of standard City requirements to the site, shall not be considered regional public improvements. Indirect ("soft") costs for engineering, design, formation and other costs approved by the City associated with public improvement construction may be included within the district to the extent they can be attributed directly to the public improvements. No other indirect "soft" costs shall be financed through the district, other than that which is allowed by statutory regulations for assessment districts and community facilities districts.

Other project elements which may determine the viability and desirability of special district financing may include factors such as: location of the proposed project within a former redevelopment project area; as a specific plan or subset of a specific plan; ownership composition; geographical isolation or other pertinent economic or demographic factors which would enhance community development, in accordance with established City goals and objectives.

Any such funding of Facilities to be owned, operated, or maintained by public agencies or public utilities other than the City shall be pursuant to a joint community facilities agreement or joint exercise of powers agreement if required by the Act.

[This section is a part of the statement of priority of financing for public facilities pursuant to Government Code Section 53312.7(a) (1)]

SECURITY

For new development, the applicant or property owner must demonstrate its financial plan for the property within the District and ability to pay all assessments and/or special taxes during the build-out period. Up to two years of funded interest may be considered by the City. The City may also establish a reasonably required reserve fund in order to increase the credit quality of any CFD bond issue. Additional security such as credit enhancement may be required by the City in certain instances. If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution in a form and upon terms and conditions satisfactory to the City. All fees payable on the letter

of credit or other security shall be the sole responsibility of the District applicant or developer, not the City or District. [This section is a part of the statement of credit quality required of bond issues pursuant to Government Code Section 53312.7(a)(1)]

FINANCING FOR SERVICES

The Mello-Roos Community Facilities Act of 1982 allows for community facilities districts to finance certain public services and maintenance costs, as identified in that Act. [Various Assessment Acts also provide for such funding of services] The City will consider, on a case by case basis, any request for a community facilities district to provide financing for public services and maintenance costs. Priority shall be given to services that are (i) necessary for the public health, safety and welfare, and (ii) would otherwise be paid for from the general fund of the City. A community facilities district may finance public services to be provided by another local agency if the City determines that the public convenience and necessity require it to do so. In any event, a community facilities district will only be authorized to finance public services and maintenance costs if the City Council, in its discretion, determines that such financing is beneficial to the City and appropriate in the circumstance.

To the extent required by the Act, the CFD may only finance services authorized pursuant to a landowner vote to the extent they are in addition to those provided in the territory of the CFD before the CFD was created, and the additional services may not supplant services already available within the territory of the CFD when the CFD was created.

[This section is a part of the statement of priority of financing for services pursuant to Government Code Section 53312.7(a)(1)]

APPENDIX A

Definition of Appraisal

An appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

Standards of Appraisal

The format and level of documentation for an appraisal depend on the type of appraisal. A detailed appraisal shall be prepared for complex appraisals. A detailed appraisal shall reflect recognized appraisal standards, such as Appraisal Standards for Land Secured Financings published by the California Debt and Investment Advisory Commission ("CDIAC Guidelines"), originally dated May 1994 and modified July 2004, as such standards may be further amended, or as otherwise described herein. An appraisal must contain sufficient documentation, including valuation data and the appraiser's analysis of the date to support his/her opinion of value. At a minimum, the appraisal shall contain the following items:

- A. The purpose and/or the function of the appraisal; a definition of the estate being appraised; and a statement of the assumptions and limiting conditions affecting the appraisal.
- B. An adequate description of the physical characteristics of the property being appraised, including location, zoning, present use, and analysis of highest and best use.
- C. All relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market approach using sales that are at the same stage of land development. If more than one approach is utilized, there shall be an analysis and reconciliation of approaches to value that are sufficient to support the appraiser's opinion of value.
- D. A description of comparable sales, including a description of all relevant physical, legal and economic factors, such as parties to the transaction.
- E. A statement of the value of the real property.
- F. The effective date of valuation, date of appraisal, signature and certification of the appraiser.

Conflict of Interest

No appraiser shall have any interest directly or indirectly in the real property being appraised for the City that would in any way conflict with the preparation or review of the appraisal. Compensation for making an appraisal shall not be based on the amount of the valuation.

Value-To-Lien

The City requires a District-wide value-to-lien ratio of at least 3:1 for the District. The District property value-to-lien ratio for each individual parcel within the District may be less than 3:1 as long as the overall valuation of the District is at least 3:1. Valuations shall be determined based upon an appraisal of the proposed District properties. Assessed valuation data from the County of Los Angeles may be used for valuation purposes in lieu of an appraisal report.

The appraiser shall be retained by and the appraisal shall be coordinated by and under the direction of the City. All costs associated with the preparation of the appraisal report shall be paid by the applicant through the advance reimbursement agreement. The appraisal shall be conducted by an MAI appraiser in accordance with criteria established by the City, based upon the recommendations received by the City from its bond counsel and/or financial advisor. In every case, the appraisal shall employ either a discounted cash flow or utilize bulk sale comparables and shall fully conform to published guidelines set forth in the Appraisal Standards for Land Secured Financings published by the California Debt and Investment Advisory Commission ("CDIAC Guidelines"), originally dated May 1994 and modified July 2004, as such standards may be further amended, or as otherwise described herein.

The City shall have discretion to retain a consultant to prepare a report to verify market absorption assumptions and projected sales prices of the properties which may be subject to the maximum special tax or assessments in the District. Such a report may be used by appraisers in determining the value of property to be assessed or taxed

The appraisal for CFDs should also include the following two premises:

- A. Raw Land Value (Premise #1). The total land within the project is valued "as is."
1. With any existing infrastructure.
 2. Without proposed infrastructure.
 3. With existing parcel configuration.
 4. Considering planned densities allowed by the specific plan of the project.

This is a typical type of land valuation.



This is a projected value based on project plans predicated on market conditions continuing as projected.

B. Bulk Land Value (Premise #2). The total land within the project is valued under projected conditions.

1. With proposed infrastructure being financed completely.
2. With existing parcel configuration.
3. Considering planned densities allowed by the [specific] plan of the project.

This premise should consider a discounted or "quick sale" valuation considering time, costs and the possibility of a per unit value based on the total size of the project.

Definitions

Unless the context otherwise requires, the terms employed in the following policies shall have the meanings specified below:

"Assessment Acts" means the Improvement Bond Act of 1911 and/or the Municipal Improvement Act of 1913 and/or the Improvement Bond Act of 1915 and/or the Landscaping and Lighting Act of 1972 and/or the Benefit Assessment Act of 1982, and/or the Mello-Roos Community Facilities Act of 1982.

"Assessment District" means an assessment district formed pursuant to the Assessment Acts.

"Bonds" means bonds authorized and issued under the Mello-Roos Act or the Assessment Acts.

"Bulk Sale Value" means the most probable price, in a sale of all parcels within a tract or development project, to a single purchaser or purchasers, over a reasonable absorption period, discounted to a present value, as of a specified date, in cash or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under undue stress.

"City" means the City of Carson.

"Discounted Cash Flow" means the measurement of the cash flows associated with the development and sale of real estate parcels, based on an independent judgment of the prices and times at which individual parcels or properties would be sold, after applying a discount rate to such cash flows to reflect the risk-adjusted rate of return necessary to attract the debt and equity investment necessary to undertake and complete the acquisition, entitlement, development and sale of the parcels or properties.



“District” means a Mello-Roos District formed under the Mello-Roos Act or an Assessment District formed under the Assessment Act. For purposes of Mello-Roos Districts, the term “District” shall also refer to a separate improvement area of the District.

“Lien” means, in the case of public debt imposed on a parcel or parcels, the aggregate amount of debt attributable to such parcel, as measured by an assessment engineer; or, in the case of Mello-Roos Community Facilities District debt, the amount of debt attributable to a parcel or parcels, based on an apportionment of the debt to such parcel or parcels in relation to the probable debt service to be borne by such parcel or parcels.

“Mello-Roos Act” means the Mello-Roos Community Facilities Act of 1982.

“Mello-Roos District” means a community facilities district formed pursuant to the Mello-Roos Act.

“Public Facilities” means improvements authorized to be constructed or acquired under the Mello-Roos Act and Assessment Acts including, but not limited to, fees for capital facilities.

“Public Services” means any service authorized by the Mello-Roos Act or the Assessment Acts.

“Value” or “Fair Market Value” means the amount of cash or its equivalent which property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other and both have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used, the gross retail value after improvements funded by the district, and of the enforceable restrictions upon uses and purposes.

“Value-to-lien ratio” means a calculation to measure the number of times the value of a property exceeds the sum of the Liens, including any proposed Liens.

Use of Consultants

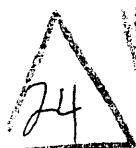
The City shall select all consultants necessary for the formation of the district and the issuance of bonds, including the underwriter(s), bond counsel, financial advisor, assessment engineer, appraiser, market study consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

No firm may serve as both design engineer and engineer of work and assessment engineer or special tax consultant on the same District.

Exceptions to These Policies

The City reserves the right to amend or modify these policies at any time as well as to make exceptions or changes for specific financing projects, as facts or circumstances so warrant.

The City may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable given identified special City benefits to be derived from such waiver. Such waivers are granted only by action of the City Council.



THERE IS
NO STAFF REPORT
FOR THIS ITEM

INFORMATION
WILL BE
PROVIDED AT THE
MEETING