



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Consent
 February 19, 2008

Honorable Mayor and
 Members of the City Council

Title: Declaration of “Official Intent” to Reimburse Certain Expenditures from Bond Proceeds – Ose Properties Development

Location/Council District: Ose Properties Development (northeast corner of Del Paso Road and El Centro Road)/Council District 1.

Recommendation: Adopt a **resolution** stating the City’s “official intent” to reimburse itself from future bond proceeds associated with the Ose Properties development.

Contact: Salina Cheung, Program Specialist, (916) 808-5236; Mark Griffin, Manager, (916) 808-8788

Presenters: Not Applicable

Department: Planning

Division: Public Improvement Financing

Organization No: 4915

Description/Analysis:

Issue: The City of Sacramento constructed improvements to El Centro and Del Paso Roads in advance of issuing entitlements for adjacent property owned by Ose Properties No. 2, a California limited partnership (“Ose Properties”). The improvements were needed to serve new development in the area. Ose Properties is obligated to pay to the City approximately \$480,000 as its fair share of the improvements. Ose Properties has the option of creating a community facilities district on its adjacent properties and of using the proceeds to pay the City, as well as to fund other public improvements and fees associated with a future development.

To legally protect the possibility of using bond proceeds to pay the City, the City must declare its official intent to reimburse itself from future bond proceeds as required by section 1.150-2 of the United States Treasury Regulations. This declaration must be made within 60 days after the payments to be reimbursed are made by the City to contractors for the project. Such payments were made at the end of December.

This action in no way obligates the City to approve a development proposal, make any expenditure, release any obligation, or issue bonds.

Policy Considerations: Adopting the resolution preserves the City’s right to reimburse itself from the proceeds of tax-exempt bonds to be sold in the future. This action is entirely permissive. It does not bind the City to make any expenditure, incur any indebtedness, release any obligation, or approve a development proposal.

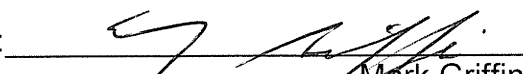
Environmental Considerations: The City Council’s action in adopting the resolution complies with federal tax law; therefore, it is not a project for purposes of the California Environmental Quality Act.

Rationale for Recommendation: The action recommended is to preserve the City’s right to receive certain improvement cost reimbursements from future bond proceeds associated with the Ose Properties development.

Financial Considerations: There is no impact to the City’s General Fund. Under Agreement 2007-0873, Ose Properties is obligated to reimburse the City to pay for the appropriate share of the Del Paso Road Widening project, approximately \$294,495, and to pay for the costs incurred to construct the improvements on El Centro Road, estimated to be \$184,926.

Should Ose Properties decide to apply for the formation of a community facilities district and to finance the cost reimbursement through the issuance of bonds, the payment of principal and interest on the bonds would be secured by a special tax lien placed on each property within the CFD, without obligation to the City.

Emerging Small Business Development (ESBD): City Council adoption of the attached resolution is not affected by City policy related to the ESBD Program.

Respectfully Submitted by: 
Mark Griffin
Manager, Planning Department

Approved by: 
Carol Shearly
Director, Planning Department

Recommendation Approved:

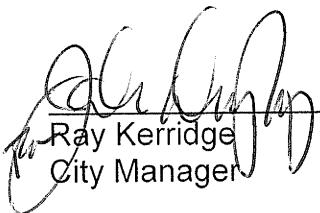

Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

DECLARATION OF OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF SPECIAL-TAX BONDS ISSUED BY THE CITY THROUGH THE PROPOSED NATOMAS LANDING COMMUNITY FACILITIES DISTRICT

BACKGROUND

- A. The City has constructed improvements within the public rights-of-way on Del Paso and El Centro Roads (collectively, the “Project”) in advance of issuing entitlements for adjacent property owned by Ose Properties No. 2, a California limited partnership (“Ose Properties”).
- B. Under City Agreement No. 2007-0873, Ose Properties is obligated to reimburse the City approximately \$480,000 for its share of the improvements.
- C. To finance, on a long-term basis, the costs associated with the Project, the City reasonably expects to issue special-tax bonds (the “Bonds”) through a community facilities district—tentatively named “Natomas Landing Community Facilities District”—that will cover lands owned by Ose Properties. The interest on the Bonds is to be exempt from income taxation under the United States Internal Revenue Code. The maximum principal amount of the Bonds is not expected to exceed \$25,000,000.
- D. The City has paid certain expenditures in connection with the Project (the “Original Expenditures”) and expects to use the proceeds of the Bonds to reimburse the Original Expenditures.
- E. Section 1.150-2 of the United States Treasury Regulations (the “Section 1.150-2”) requires the City to declare its reasonable “official intent” to reimburse itself with proceeds of the Bonds (i.e., the “proceeds of an obligation”) for Project expenditures it expects to pay before the Bonds are issued.
- F. The City Council is fully advised on this matter.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council finds that the statements in the Background are true.

Section 2. The City hereby declares its official intent to use proceeds of an obligation, i.e., proceeds of the Bonds, to reimburse itself for the Original Expenditures.

Section 3. This resolution is adopted solely for purpose of establishing compliance with the requirements of Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 4. This resolution takes effect when adopted.