



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

CONSENT
July 14, 2009

**Honorable Mayor and
Members of the City Council**

Title: Land Acquisition Program Credits: K. Hovnanian Forecast Homes Northern

Location/Council District: North Natomas/District 1

Recommendation: Approve reimbursement to K. Hovnanian Forecast Homes Northern using the 2008 Public Land Acquisition Value.

Contact: Sini Makasini, Administrative Analyst, (916) 808-7967; Mark Griffin, Fiscal Manager, (916) 808-8788

Presenters: Not Applicable

Department: Finance

Division: Public Improvement Financing

Organization No: 06001321

Description/Analysis

Issue: Under the North Natomas Finance Plan, developers are entitled to reimbursement for lands dedicated in excess of their "fair share." Reimbursement is in the form of credits against the Public Facilities Land Acquisition Fee or, if the City has collected sufficient fees from other developers, cash.

The City requires developers to enter into a reimbursement-and-credit agreement that identifies the lands to be dedicated and sets forth the procedure for determining the "reimbursement amount." The procedure requires developers to apply in writing for reimbursement and specifies that the City will calculate the reimbursement amount using the Public Land Acquisition Value ("PLAV") in effect when the City takes title.

The City has such an agreement with the developer of the Natomas Central subdivision, K. Hovnanian Forecast Homes Northern ("Forecast Homes"). Dated May 30, 2008, the agreement includes an additional provision that fixes the reimbursement amount at \$15,683,446. Staff calculated the reimbursement amount using the PLAV in effect in May 2008 because Forecast Homes submitted a complete application before the agreement was drafted and because staff anticipated that the City would take title to the dedicated lands in July or August 2008.

Unfortunately, through no fault of Forecast Homes, title did not transfer until April 2009. Meanwhile, in November 2008 the PLAV was adjusted downward, from \$398,766 to \$323,766 an acre. As a result, the amount shown in the additional provision of the agreement no longer reflects the current PLAV, and the additional provision is inconsistent with the standard provisions.

Under these circumstances, staff requests that the City Council approve the reimbursement of Forecast Homes at the PLAV that was in effect last year, when title should have transferred (i.e., \$398,057 an acre). Resolution No. 2006-918, which adopted the standard-form reimbursement-and-credit agreement, requires that the City Council approve substantive changes to the standard form.

Policy Considerations: Approval of this action is consistent with the intention of the North Natomas Financing Plan to construct or acquire public infrastructure in a timely manner and to promote fairness and equity.

Environmental Considerations: Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: There are no sustainability considerations applicable to administrative activities.

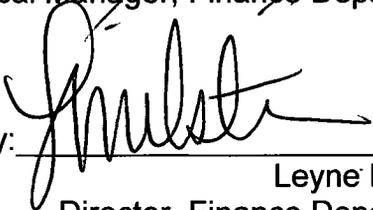
Committee/Commission Action: None

Rationale for Recommendation: The recommended action will provide Forecast Homes with the appropriate reimbursement amount based on the date title to the land would have occurred but for an unanticipated delay not attributable to any fault of Forecast Homes.

Financial Considerations: There is no impact on the General Fund. Reimbursement for land dedication is either from credits against the Public Facilities Land Acquisition Fee or from fee revenues collected when the City issues building permits.

Emerging Small Business Development (ESBD): Not Applicable

Respectfully Submitted by: 
Mark Griffin
Fiscal Manager, Finance Department

Approved by: 
Leyne Milstein
Director, Finance Department

Recommendation Approved:


Ray Kerridge
City Manager

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Attachment 1

BACKGROUND

Under the North Natomas Finance Plan, developers who dedicate more than their "fair share" of public lands are entitled to be reimbursed for the excess land, with reimbursement in the form of credits against the Public Facilities Land Acquisition Fee or, if the City has collected sufficient fees from other developers, cash. To this end, the City requires developers to enter into a reimbursement-and-credit agreement that sets forth the following procedure for determining the "reimbursement amount":

- The developer submits a written application for reimbursement. Once the City determines that the application is complete, the City has 30 days to calculate the reimbursement amount. (Subsections 3(a), 3(b), and 3(c).)
- The City then calculates the reimbursement amount by multiplying the acreage of public lands to be transferred by the Public Land Acquisition Value ("PLAV")¹ in effect on the date title transfers, i.e., on the date a deed is delivered to the City or a subdivision map is recorded. (Subsection 3(d).)

The developer of the Natomas Central subdivision, K. Hovnanian Forecast Homes Northern ("Forecast Homes"), has such an agreement (City Manager Agreement No. 2008-0579). That agreement not only contains the standard provisions just summarized but also contains the following additional provision (in subsection 3(d)), which staff added at Forecast Homes' request:

"Before signing this agreement, Developer submitted a complete application to City in accordance with subsection 3(b). Using the information in Developer's application, and following the procedure described in this subsection 3(d), City calculated a total Reimbursement Amount for this property of **\$15,683,446**. Developer agrees that this is the correct Reimbursement Amount."

The amount shown in this additional provision, \$15,683,446, reflects a PLAV of \$398,057, which was the PLAV in effect when the agreement was signed on May 30, 2008. Both Forecast Homes and staff anticipated that title to the public lands at issue would transfer within a month or two afterward—well before the PLAV would change—so adding this provision seemed reasonable.

Unfortunately, through no fault of Forecast Homes, the transfer of title did not occur until April 2009. Meanwhile, in November 2008 the PLAV was adjusted downward, from \$398,766 to \$323,766 an acre. As a result, the amount shown in the additional provision no longer reflects the current PLAV, and the additional provision is inconsistent with the standard provisions.

¹ The Public Land Acquisition Value is a three-year average of appraised values for the type of land being transferred.