



## City Council Report

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**File ID:** 2018-01171

September 4, 2018

**Consent Item 03**

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**Title:** Interpretation of McKinley Village Community Facilities District 2015-04  
(Improvements) Rate and Method of Apportionment of Special Tax

**Location:** District 3

**Recommendation:** Pass a Resolution interpreting the Rate and Method of Apportionment of Special Taxes to allow for the pooling of special tax obligations for multiple parcels prior to rounding up the amount to redeem bonds in \$5,000 increments for partial prepayment.

**Contact:** Brian Wong, Debt Manager, (916) 808-5811; Colin Bettis, Senior Debt Analyst, (916) 808-8292, Office of the City Treasurer

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Resolution

**Description/Analysis**

**Issue Detail:** Encore McKinley Village, LLC (the “**Developer**”) has determined that it would like to adjust property lines and alter the housing units that it is currently developing within the McKinley Village Community Facilities District (the “**CFD**”). As part of that process, it would like to partially prepay the special taxes of certain properties in order to align the special tax with other similar housing units within the CFD.

The Rate and Method of Apportionment of Special Taxes (“**RMA**”) adopted by Resolution 2015-0242 as part of the formation process for the CFD has a process allowing for the partial prepayment of special taxes. That process, however, does not address a property owner wanting to partially prepay the special taxes for a number of properties at the same time; the RMA only speaks to the partial prepayment of one property and requires the City’s special tax administrator to round up the prepayment amount to the nearest whole bond amount or, in other words, to round up to the nearest \$5,000 increment.

Upon receiving a request for a preliminary prepayment calculation for several parcels, an initial calculation was provided by the special tax administrator. In this calculation, each of the parcels was rounded up to the nearest \$5,000 increment. Upon receipt of the calculation, the Developer requested a review of the ability to combine the prepayments prior to rounding up. The table below shows the rounded amount that the Developer would have to pay in certain scenarios.

Prepayment Percentage of the Outstanding Special Tax Requirement	Additional amount required by the developer (rounded to \$5,000)
25%	\$145,000.00
50%	\$85,000.00

Should the Council decide to interpret the RMA to allow for the pooling of prepayments, there would be a reduced amount required from the Developer. Staff has evaluated the impacts, and while it would reduce the number of outstanding bonds redeemed, this interpretation would not put the City at risk or harm any bond holders. It has also been determined that without the interpretation allowing for the pooling of prepayments prior to the rounding up to the nearest \$5,000 increment, the Developer’s costs would increase substantially and thereby, likely resulting in the increase cost for housing units within the CFD.

**Policy Considerations:** While there are no direct policy considerations, a nonbinding precedent may be set for RMAs with similar language that may come before the City in the future. However, each prepayment calculation request and RMA interpretation is evaluated independently to ensure that bond holders and the City are not harmed.

**Economic Impacts:** Not Applicable.

**Environmental Considerations:** Approval of the recommendation is not a “project” subject to CEQA because it (a) has no potential to cause a significant effect on the environment; (b) approves a continuing administrative activity and is thus excluded from the definition of “project”; and (c) concerns governmental fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (14 Cal. Code Regs. §§ 15061(b)(3), 15378(b)(2), and 15378(b)(4)).

**Sustainability:** Not Applicable

**Commission/Committee Action:** Not Applicable

**Rationale for Recommendation:** Interpreting the RMA to allow for the pooling of special tax prepayment obligations for multiple parcels prior to rounding up would likely reduce the housing costs for certain units within McKinley Village.

**Financial Considerations:** There potential financial impact to the City is negligible.

**Local Business Enterprise (LBE):** Not Applicable.

## RESOLUTION NO. 2018-

Adopted by the Sacramento City Council

September 4, 2018

### APPROVING THE INTERPRETATION OF THE MCKINLEY VILLAGE COMMUNITY FACILITIES DISTRICT 2015-04 (IMPROVEMENTS) RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX TO ALLOW FOR THE POOLING OF SPECIAL TAX OBLIGATIONS FOR MULTIPLE PARCELS FOR PARTIAL PREPAYMENT

#### BACKGROUND

- A. On Tuesday, June 23, 2015, the City Council duly adopted Resolution No. 2015-0197 (the “**Resolution of Intention**”) declaring its intention (1) to establish a community facilities district within the City’s jurisdictional boundaries under the Mello-Roos Community Facilities Act of 1982, set forth at Government Code sections 53311 through 53368.3 (the “**Act**”), to be known and designated as the “City of Sacramento McKinley Village Community Facilities District No. 2015-04 (Improvements)” (the “**CFD**”); and (2) to levy a special tax therein to finance the acquisition and construction of certain public capital facilities and to finance certain governmentally imposed development fees used to finance public facilities.
- B. In the Resolution of Intention, the City Council fixed Tuesday, July 28, 2015, at 6:00 p.m., in the Council Chambers in New City Hall, 915 I Street, Sacramento, California, as the time and place for a public hearing (the “**Public Hearing**”) to be held by the City Council to consider the establishment of the CFD; the authorization of a special tax to be levied and collected within the CFD (the “**Special Tax**”); the proposed rate, method of apportionment, and manner of collection of the Special Tax (the “**RMA**”); the facilities and governmental fees proposed to be financed; the establishment of an appropriations limit for the CFD; and all other matters set forth in the Resolution of Intention.
- C. On Tuesday, July 28, 2015, the City Council duly adopted Resolution No. 2015-0242 thereby establishing the CFD and providing for the levy of a special tax to finance the acquisition and construction of certain public facilities and to finance certain governmental fees for public facilities.
- D. Section I of the RMA – entitled Interpretation of Special Tax Formula, allows the City Council the ability to, by resolution, interpret the RMA for purposes of clarifying

any vagueness or ambiguity in the Special Tax rates, method of apportionment, classification of properties, and definitions applicable to the CFD.

- E. The primary developer, Encore McKinley Village, LLC, requested a preliminary partial prepayment calculation. Upon review of the prepayment amount provided by the special tax administrator, the developer asked the City to allow it to pool the special tax obligations for multiple parcels prior to the rounding up to the nearest \$5,000 increment for purposes of partial prepayment.
- F. The City has determined that allowing the pooling of the special tax obligations for partial prepayment will not put the City at risk and will not harm the bond holders.

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

Section G(3) of the RMA, addressing the requirements for the partial prepayment of any special tax obligation, shall be interpreted to allow for the pooling of special tax obligations for multiple parcels prior to rounding up that amount as required by the RMA to allow for the redemption of whole bonds, including any redemption premium.