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DEPARTMENT OF
PUBLIC WORKS

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CALIFORNIA

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April 17, 1990

Budget and Finance Committee/Transportation
and Community Development Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: **NORTH NATOMAS FINANCING PLAN**

SUMMARY

Submitted for Committee information is a progress report for the North Natomas Financing Plan. A draft copy of the *"Financing Plan and Infrastructure Design Report"* was transmitted to Committee members via separate cover and is on file at the City Clerk's Office. This item is informational and no action on the Financing Plan is required at this time.

BACKGROUND

Two previous reports concerning the Financing Plan have been submitted to Joint Committee/City Council:

Infrastructure Design Report -- On February 9, 1988, the Department of Public Works presented the North Natomas Infrastructure Design Report. This report contained a summary of the various engineering studies completed to date, detailed cost projections, and preliminary recommendations on funding sources. The report identified \$400 million in primary (or "trunk") infrastructure and public facilities needed to serve North Natomas. Of this amount, approximately \$200 million was recommended for Mello Roos bond financing. The remaining \$200 million was recommended for financing by a combination of developer fees, developer funding, and future assessment districts.

Mello Roos Phase I Study -- This item was presented to the Joint Committee on February 28, 1989. The study addressed the overall viability of the Mello Roos and provided specific recommendations on planning and structuring of the Mello Roos District.

During the past several months, staff has held extensive work sessions with the owner/developer groups in North Natomas. These sessions have been beneficial in identifying the development schedules and objectives of each group. Additionally, several meetings have been held with City staff to obtain interdepartmental input as the Financing Plan was developed.

DISCUSSION

The *"Infrastructure Design Report"* has identified the basic infrastructure and public facilities that will be needed to serve development of the Community Plan area. The *Financing Plan* describes the recommended funding sources, development phasing, and assignment of costs to developing properties. The recommended plan consists of three special financing elements, which will be unique to North Natomas. These include a Mello Roos Community Facilities District, a special developer fee, and a land dedication fee. In addition to these elements, normal development fee revenues are recommended to finance certain regional improvements in accordance with current City and County policies. A copy of the funding source summary (Financing Plan page 20) is attached hereto for reference. The following is a brief overview of the three special financing elements.

Mello Roos Community Facilities District -- This district is similar to a special assessment district in that municipal bonds are issued to finance the improvements. Debt service on the bonds is paid over time by properties within the district. The North Natomas Mello Roos is planned to finance \$182 million, or approximately one-half of the total infrastructure costs. The following improvements recommended for the Mello Roos are considered priority infrastructure and are essential to serve urban development of North Natomas:

- Drainage Canals and Pump Stations (San Juan and Elkhorn/Del Paso System)
- Freeway Interchange and Overcrossing Improvements
- 200-Acre Regional Park (Land Acquisition and Perimeter Improvements)
- Fire, Library, and Police Facilities

Mello Roos bonds will be issued in phases as the community develops. The current Mello Roos model anticipates five separate bond sales during the projected 20-year build-out. This approach assures that funding will be available to construct the improvements as development occurs. Additionally, it allows the Mello Roos taxes to be maintained at affordable rates and helps prevent overburdening the district with bonded debt.

Mello Roos special taxes are paid annually by both developed and undeveloped properties within the district. In general, rates are projected to range from \$378 to \$2,179 per unit for residential and from \$5,952 to \$15,663 per acre for non-residential. A detailed summary of the special tax rates is provided on page 46 of the Financing Plan.

Special Developer Fees -- This fee district will be created as a Facilities Benefit Assessment (FBA). The fee is a one-time charge collected from developing properties at the time of building permit issuance. The fee will generate \$18 million in revenue for the following improvements:

- Median Landscaping for Major Streets
- Freeway Corridor Landscaping
- Linear Parkway and Drainage Canal Landscaping
- Community Based Passenger Shuttles
- Park and Ride Lots
- Off Street Bikeways

The fee will apply to the same area as the Mello Roos District. Fees are projected to range from \$214 to \$870 per unit for residential and from \$642 to \$7,679 per acre for non-residential. A complete breakdown of the special developer fee, by land use category, is provided on page 46 of the Financing Plan.

Land Dedication Fee -- This fee is recommended as a special financing mechanism that will allow dedication of land in a manner that is fair and equitable to all property owners. The North Natomas Community Plan requires that all lands, easements, and rights-of-way needed for public facilities are to be dedicated as a precondition to development of a given property. At present, there are approximately eight major landowner/developer groups and a number of individual landowners within the North Natomas Financing Plan area. Due to the location of public facilities, such as drainage canals, greenbelts, landscaped freeway corridors, etc., certain landowners have more land to dedicate than their neighbors simply due to the location of their property. The land dedication fee will minimize this imbalance by reimbursing those landowners who are required to dedicate more than their fair share of land.

The Financing Plan area contains 943 acres of public land that will be dedicated as development occurs. Based on a total recommended land value of \$18.9 million, the land dedication fee is projected at \$4,715 per acre. The fee will be paid at the time of subdivision map approval or building permit, whichever occurs first. The actual fee paid (or reimbursement) will depend on the amount of land each property owner is required to dedicate. A complete description of the land dedication fee is provided on page 40 of the Financing Plan.

Implementation Schedule -- The draft Financing Plan was presented to the North Natomas landowners in January of this year. Staff is currently working with these groups to incorporate a number of their comments and suggestions into the plan.

With the draft Financing Plan now developed, a key factor affecting the implementation schedule is agreement among the landowners to move forward with the plan. Once this is accomplished, staff will initiate formal proceedings for the Mello Roos, special developer fee, and land dedication fee districts. Assuming 100% support for the Mello Roos, Council actions and public hearings on the districts can be completed within a five-month time frame. It is recommended that both fee districts be formed concurrently with the Mello Roos and that the Financing Plan be adopted by City Council following district formation.

POLICY CONSIDERATIONS

Specific policies concerning the Financing Plan are set forth throughout the adopted North Natomas Community Plan (NNCP). The primary policy objective is stated in Section XIII of the NNCP:

"Although the costs to extend infrastructure to the North Natomas area will be quite high, the development community has indicated both feasibility and a willingness to provide capital improvements at no cost to the City. Analyses have shown that there will be an operating surplus generated at buildout of North Natomas. The approach that will be taken with respect to public and private sector responsibilities to provide community facilities and services is as follows:

- The private sector shall provide all necessary capital improvements within the North Natomas community, consistent with all criteria and standards detailed in the adopted North Natomas Community Plan.
- The City of Sacramento will provide traditional maintenance and operation services to the North Natomas community area after capital improvements are installed and development occurs, consistent with all criteria and standards detailed in the adopted North Natomas Community Plan."

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The draft Financing Plan has been developed in accordance with the NNCP policies and in a manner that will allow all developing property owners to participate in a fair and equitable manner. No policy revisions are anticipated for the final plan.

Other policy issues relate to new City policies that will need to be established for Mello Roos districts. These are expected to include special tax rates on developed properties, tax rate disclosures to new home buyers, future annexations to the Mello Roos District, and other related policies. Staff will develop policy recommendations on these issues during formation of the Mello Roos and special fee districts.

MBE/WBE

There are no MBE/WBE impacts.

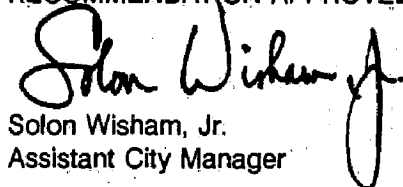
RECOMMENDATION

It is recommended that the Joint Committee accept this report as a progress update on the North Natomas Financing Plan.

Respectfully submitted,


Melvin H. Johnson
Director of Public Works

RECOMMENDATION APPROVED:


Solon Wisham, Jr.
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NORTH NATOMAS FINANCING PLAN

NNFSS.WK1

FUNDING SOURCE SUMMARY

IMPROVEMENTS	PROJECTED COST	MELLO ROOS CFD	SPECIAL FEE DEVELOPER	CITY/COUNTY CONTRIBUTION	DEVELOPER/ OTHER SOURCES
Drainage Canal System & Bridges	\$128,172,900	\$126,765,000			(3) \$1,407,900
Freeways	32,241,600	31,139,500			(3) 1,102,100
Major Streets, Utilities & Signalization	(7) 98,780,000		(1) \$1,095,500	(4) \$6,563,000	91,121,500
Sewer Trunks, Interceptors & Pump Stations	32,756,000			(5) 32,756,000	
Water Treatment, Storage & Transmission	48,594,300			(2) 48,594,300	
200 Acre Regional Park (land & offsite imps.)	15,018,000	15,018,000			
Fire, Library & Police	11,790,100	9,363,700			(6) 2,426,400
Air Quality Mitigation (Shuttle, Park/Ride, Bikeways)	12,195,600		12,195,600		
Landscaping Improvements (F. Corridor, Lin Pkways, & Canal Landscaping)	5,998,000		4,759,600		(3) 1,238,400
Planning/Studies	3,116,500				(3) 3,116,500
Total	\$388,663,000	\$182,286,200	\$18,050,700	\$87,913,300	\$100,412,800

(1) Median Landscaping for Major Str.

(5) Sewer Development Fees (County).

(2) Water Development Fees.

(6) Estimated regional cost of Police Substation.

(3) Improvements/Services Completed in 1988 and financed by Assessment District No. 88-03.

(7) Major Street Utilities include water dist. mains, sewer collectors & laterals, and sto drain trunks & interceptors.

(4) Major Street Construction tax reimbursement for overwidth pavement.

NOTE: Cost projections are based on constant 1989 dollars and include an allowance for engineering, administration and contingencies.

The North Natomas Financing Plan and Infrastructure Design Report was transmitted to the Committee with the agenda of April 17, 1990. Please bring this material with you to the meeting.