

## City Council Report

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**File ID:** 2019-00376

April 2, 2019

**Consent Item 18**

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**Title: Redemption of North Natomas Land Acquisition Fee Credits**

**Location:** District 1

**Recommendation:** Adopt a Resolution: 1) approving the redemption of North Natomas land-acquisition-fee credits; 2) appropriating \$2,130,511 from the available fund balance in the North Natomas Finance Plan Public Land Acquisition Fee Fund (Fund 3208) and increasing the Debt Service expenditure budget by \$2,130,511; and 3) authorizing the City Manager or City Manager's designee to distribute the appropriated funds in accordance with Exhibit A.

**Contact:** Mary Jean Rodriguez, Program Specialist, (916) 808-1980; Sheri Smith, Special Districts Manager, (916) 808-7204, Department of Finance

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Background

3-Resolution – LAP Redemption

4-Exhibit A (Reimbursement and Reimbursement Priority)

## Description/Analysis

**Issue Detail:** The North Natomas Finance Plan (NNFP) includes a land-acquisition program (LAP) to ensure the timely acquisition of land for rights-of-way and other public purposes as required by the North Natomas Community Plan. Additional information is included in the Background section of the report.

Since 1997, developers who pulled building permits in North Natomas have paid land-acquisition fees, and developers who dedicated public lands have received fee credits as compensation. The developers may use the fee credits to pay land-acquisition fees they owe, may sell the credits to other developers, or may tender the credits to the City for redemption in cash from fee revenues no longer needed to acquire LAP lands.

Most LAP lands have now been acquired. The remaining lands are either subject to development agreements that require dedication or will be acquired as a condition of development. To date, the City Council has authorized the release of \$28,184,887 in available funds to redeem LAP fee credits. "Available funds" means the fee revenues and the interest earned on those revenues, less the City's cost to administer the LAP. An additional \$2,130,511 has been collected and is now available to redeem credits.

**Policy Considerations:** The recommendation is consistent with the NNFP adopted in 1994 and updated in 1999, 2002, 2005, 2009, and 2017, and with all associated development and credit agreements.

**Economic Impacts:** Not applicable.

### Environmental Considerations:

**California Environmental Quality Act (CEQA):** Under the CEQA Guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review. (14 Cal. Code Regs. §15378(b)(2).)

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The recommended actions are authorized by chapter 18.24, article III, of the Sacramento City Code.

**Financial Considerations:** The fees collected, and the associated interest are accounted for in Fund 3208 and are restricted by state law and the LAP to the redemption of credits and the payment of expenses associated with the acquisition of land identified in the NNFP. The \$2.1 million in available funds will be disbursed from available fund balance to two developers, as set forth in as Exhibit A to Attachment 2. The recommended action will not affect the General Fund.

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

## **Attachment 1 Background**

The LAP is part of the NNFP adopted by City Council in 1994 and updated most recently in 2017. The purpose of the LAP is twofold:

- (1) to ensure that public use lands are available to the City to construct infrastructure and facilities as needed, and
- (2) to maintain equity among landowners who hold different amounts of needed public land.

The LAP operates by collecting land-acquisition fees from developers when they pull building permits and by issuing fee credits to developers who dedicate lands. Credit holders can use the credits in lieu of fees or can redeem their credits for cash if the goals of the LAP are satisfied.

The LAP does not cover standard subdivision dedications such as collector roads or frontage improvements. For this reason, LAP lands are sometimes referred to as “extraordinary dedications”. These lands are defined by the North Natomas Community Plan and include buffers, the light-rail right-of-way, lands for public buildings, and roadways beyond the standard dedication, such as the median and inside lanes of major arterials and freeway interchanges.

The LAP comprises 415 acres of which 346 have already been acquired. Of the remaining 69 acres, 59 will be acquired under development agreements that require compliance with the NNFP (including dedication of LAP lands), and 10 will be acquired through conditions of approval. All of the 10 acres are associated with one parcel. Below is a map showing the locations of these two categories of lands.

Given the extent of the LAP acquisitions to date, staff believes that the first goal of the LAP (to ensure the timely acquisition of property) has been reasonably satisfied. The second goal of the LAP (equity among landowners) will continue to be met as the LAP continues to operate into the future. The basic operation of the LAP is not affected by the recommendations in this report.

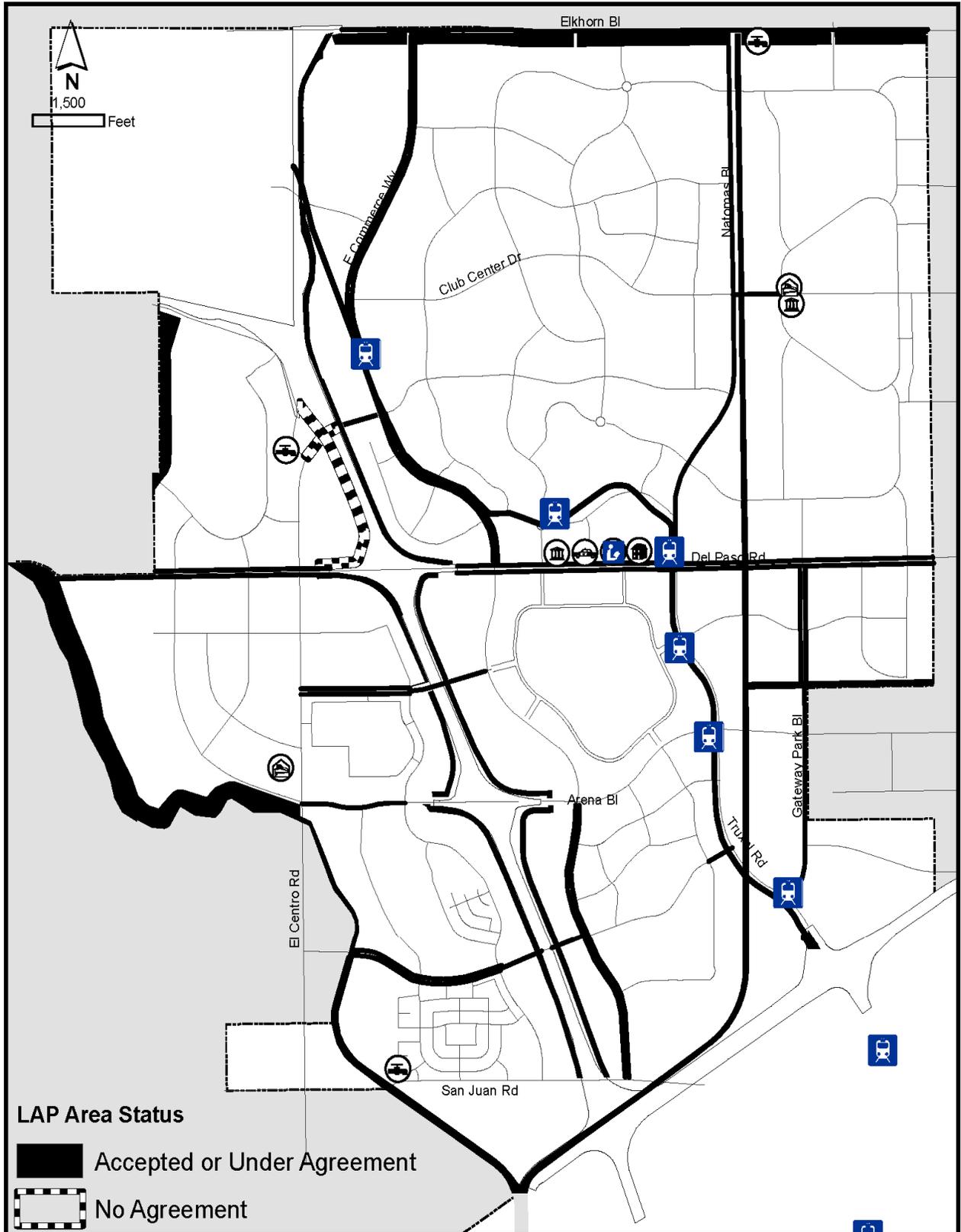
To date, 346 acres have been acquired and \$31,010,907 in development credits (net of credits used for building-permit purposes) have been issued. All redemptions of these credits are at the face value of the credits when issued. The credits do not earn interest and are not otherwise adjusted. Thirty-two developer entities have held credit balances dating back to the beginning of the program in 1998.

Fees collected through June 30, 2018, total \$30,315,398, including interest earnings on the fees and excluding administrative fees and contingencies. On July 20, 2010 (by Resolution No. 2010-415), on March 17, 2017 (by Resolution No. 2017-0095), and on March 27, 2018 (by

Resolution No. 2018-0103), the City Council approved the distribution of \$24,263,740, \$1,891,573, and \$2,029,574 respectively to credit holders, representing the total of available funds at those times. Subsequent collections have resulted in an additional \$2,130,511 in available funds as confirmed by the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018. The City is not obligated to provide funding from any other funding source.

# LAP Reimbursement Areas

Revised: July 2010



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## RESOLUTION NO.

Adopted by the Sacramento City Council

### Approving the Redemption of North Natomas Land Acquisition Fee Credits and Appropriating Fee Revenue and Associated Interest

#### BACKGROUND

- A. The North Natomas Finance Plan, adopted by Resolution No. 95-495 and updated in 1999 by Resolution No. 99-471, in 2002 by Resolution No. 2002-374, in 2005 by Resolution No. 2005-584, in 2009 by Resolution No. 2009-341, and in 2017 by Resolution No. 2018-0058 (the “**NNFP**”), authorizes the North Natomas Land Acquisition Program (the “**NNLAP**”) to provide for the timely acquisition of designated NNLAP public lands for the development of the North Natomas Community Plan and to provide equity among landowners by providing development credits for dedicated lands and imposing fees on developers with no NNLAP dedications or development credits.
- B. Fees are collected for the sole purposes of acquiring designated lands through condemnation proceedings, where necessary, and for redeeming credits at face value when, in the City’s sole judgment, the need for further acquisitions is remote.
- C. Of the 415 acres to be acquired through the NNLAP, 346 have been already been acquired by easement, deed, or an irrevocable offer of dedication. Of the remaining 69 acres, 59 will be acquired under development agreements that require compliance with the NNFP (including dedication of LAP lands), and 10 will be acquired through conditions of approval. All of those 10 acres are associated with one parcel that will be conditioned to dedicate the lands and cannot otherwise develop without dedicating the lands.
- D. To date, \$31,010,907 in development credits (net of credits used for building permit purposes) have been issued. All redemptions of these credits are at the face value of the credits when issued. The credits do not earn interest and are not otherwise adjusted. Thirty-two developer entities have held credit balances dating back to the beginning of the program in 1998.
- E. Fees collected through June 30, 2018, total \$30,315,398, including interest earnings on the fees and excluding administrative fees and contingencies. On July 20, 2010 (by Resolution No. 2010-415), on March 17, 2017 (by Resolution No. 2017-0095), and on March 27, 2018 (by Resolution No. 2018-0103), the City Council approved the distribution of \$24,263,740, \$1,891,573, and \$2,029,574 respectively to credit holders, representing the total of available funds at those times. Subsequent collections have resulted in an additional \$2,130,511 in available funds, as confirmed by the Comprehensive Annual Financial Report for

the fiscal year ended June 30, 2018. The City is not obligated to provide funding from any other source.

- F. The priority of the redemptions to credit holders will generally reflect the dates of the agreements under which the credits were issued—that is, under the “Reimbursement and Credit Agreement for the North Natomas Land Acquisition Program” (“**Credit Agreement**”) that all developers must enter into to participate in the NNLAP. The earlier the date of the Credit Agreement, the higher the priority for redemption.
- G. Exhibit A sets forth the allocation of available funds to the remaining credit holders. The allocations will include, where applicable, deductions for other fee or permit obligations to the City.

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

Section 1: The City Council hereby finds that the background paragraphs set forth above are correct.

Section 2: The North Natomas Land Acquisition Fee Credit redemptions are approved.

Section 3: The City Council hereby appropriates \$2,130,511 from the available fund balance in the North Natomas Finance Plan Public Land Acquisition Fee Fund (Fund 3208) and increases the Debt Service (70001025) expenditure budget by \$2,130,511.

Section 4: The City Manager is hereby authorized to distribute the appropriated funds in accordance with Exhibit A and that includes, where applicable, deductions for other fee or permit obligations to the City.

Section 5: Exhibit A, is part of this resolution.

**Exhibit A**

**Reimbursement and Reimbursement Priority**

<b>Entity</b>	<b>Credits</b>	<b>2017</b>	<b>2018 Redemption</b>	<b>Balance '02-2019</b>	<b>April 2019 Redemption</b>	<b>Balance</b>
Natomas Creek LLC 2009-0360	1,975,478	374,304	1,312,892	288,282	288,282	-
Gateway West LLC 2009-0939	1,842,229	-		1,842,229	1,842,229	-
<b>Total</b>	<b>3,817,707</b>	<b>374,304</b>	<b>1,312,892</b>	<b>2,130,511</b>	<b>2,130,511</b>	<b>-</b>