



City Council Report

915 I Street, 1st Floor

Sacramento, CA 95814

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August 28, 2018

Consent Item 07

Title: Ordinance to Levy a Special Tax within Railyards Community Facilities District (CFD) No. 2018-01 (Improvements) (Passed for Publication 08/21/2018; Published 08/24/2018)

Location: District 3

Recommendation: Pass an Ordinance to levy a special tax on land within the Railyards Community Facilities District (CFD); and 2) pass a Resolution establishing a new accounting fund for the CFD.

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-Schedule of Proceedings
- 4-Ordinance – Levy of Special Tax
- 5-Resolution – Create Accounting Fund

Description/Analysis

Issue Detail: On August 14, 2018, Council passed Resolution 2018-0341 calling for a special mailed ballot election on whether to levy a special tax within the boundaries of the CFD and whether to issue bonds supported exclusively by the special tax to partially reimburse the developer for the cost of public infrastructure. The vote was in the affirmative, and on August 21, 2018, the Council passed for publication an ordinance levying the special tax. Staff recommends that Council adopt the ordinance and pass a resolution establishing a new accounting fund for the CFD.

Policy Considerations: The procedures under which this district is being formed are set forth in the Government Code, Sections 53311-53368.3, entitled "The Mello-Roos Community Facilities Act of 1982". Formation of the CFD is consistent with the City's Policy and Procedures for Use of Special Assessment and Mello-Roos Community Facilities District Financing for Infrastructure and Public Facilities, as amended, adopted August 9, 1994 by City Resolution No. 94-491 (Mello-Roos Policy).

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the CEQA Guidelines, the formation of community facilities districts does not constitute a project and is therefore exempt from review. (CEQA Guidelines section 15378(b)(4)).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The recommended actions are required by the Mello-Roos Community Facilities Act of 1982 and by the City Charter to complete the formation process for the CFD.

Financial Considerations: The developer will initially use its own funds to finance construction of the public improvements and to pay development fees associated with public improvements. Later, if and when sufficient bond proceeds and special taxes are available, the City will reimburse the developer consistent with the City's Mello-Roos Policy or any subsequent update to such policy and with associated agreements. The bond proceeds and special taxes will be used for the sole purposes of: (a) funding construction-cost and development-fee reimbursements to the developer and (b) paying the City's administrative

expenses. This may be done from bond proceeds, directly from special taxes on a pay-as-you-go basis, or from a combination of proceeds and taxes.

There is no impact on the General Fund or any other City funds as a result of this action.

Local Business Enterprise (LBE): Not applicable.

Attachment 2 Background

The Railyards CFD consists of an approximately 244-acre historic Union Pacific Railroad (UPRR) site planned for mixed-use. The Railyards project area is generally bounded by North B Street and the Sacramento River Water Treatment Plant to the north, the Sacramento River to the west, I Street and H Street to the south and 7th and 12th streets to the east. It is located on the north side of Downtown and south of the River District and once serving as the western terminus of the 1860s Transcontinental Railroad.

To date, approximately \$337 million of initial construction has occurred including track relocation, station renovations, and backbone infrastructure. These improvements have been funded through State Proposition 1C grant funds, Measure A, UPRR, and property owner funding. Despite the magnitude of this initial investment, much of it from public sources, the City and Downtown Railyard Venture, LLC recognize that the Railyards Project development still faces an extraordinary infrastructure funding burden.

Purpose of the CFD

The CFD will finance through the issuance of bonds or the incurrence of other debt, certain development fees and public improvements within the public right-of-way and adjacent public-utility easements of the major public roads intersecting, serving and/or bordering the district boundary. The maximum principal amount of debt to be incurred for the purposes of the district is \$75 million.

CFD Special Election Proceedings

The CFD was formed in compliance with the Mello-Roos Community Facilities District Act of 1982, which required a special election on the special tax. The City may not levy the tax unless at least two-thirds of the votes cast were in favor of it. Because there are no registered voters residing within the CFD, the vote was by landowners, with each landowner having one vote for each acre or portion of an acre owned within the CFD. The vote was in the affirmative.

Special Tax Formula

The Rate and Method of Apportionment (RMA) of the special tax is attached as Exhibit D to the Resolution of Formation. The special tax is applied to both developed and undeveloped properties. The maximum annual special-tax per taxable acre is shown in attachment 2 of the RMA. The rate escalates 2% annually to compensate for inflation.

SCHEDULE OF FORMATION PROCEEDINGS

PROPOSED CITY OF SACRAMENTO RAILYARDS COMMUNITY FACILITIES DISTRICT (CFD) NO. 2018-01 (IMPROVEMENTS)

- | | |
|------------------------|--|
| July 3, 2018 | City Council – Initiate Proceedings <ul style="list-style-type: none">○ Pass Resolution of Intention to Form CFD and Levy Special Tax (sets hearing date and approves boundary map)○ Pass Resolution of Intention to Incur Bonded Indebtedness |
| July 11, 2018 | Record Boundary Map |
| July 23, 2018 | Mail Notice of Public Hearing |
| July 31, 2018 | Publish Notice of Hearing |
| August 14, 2018 | City Council – Public Hearing and Notice for a Special Election <ul style="list-style-type: none">○ Conduct Public Hearing○ Pass Resolution of Formation○ Pass Resolution to Incur Debt○ Pass Resolution Calling Special Election |
| August 15, 2018 | Special Election Ballots Due |
| August 21, 2018 | City Council <ul style="list-style-type: none">○ Pass Resolution Declaring Results of Special Election○ Pass for Publication Ordinance to Levy Tax |
| August 22, 2018 | Record Notice of Special Tax |
| August 28, 2018 | City Council <ul style="list-style-type: none">○ Adopt Ordinance to Levy Special Tax○ Pass Resolution Creating Accounting Fund |

ORDINANCE NO.

Adopted by the Sacramento City Council

Levying a Special Tax for Fiscal Year 2018-2019 and Following Fiscal Years Solely Within, and Relating to, the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements)

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. On August 14, 2018, the City Council adopted Resolution No. 2018-0339 (the "**Resolution of Formation**"), thereby establishing the City of Sacramento Railyards Community Facilities District No. 2018-01 (Improvements) (the "**CFD**").
2. In accordance with sections 53328 and 53340 of the Government Code (the "**Code**"), the Resolution of Formation, and the Rate and Method of Apportionment of Special Tax attached as Exhibit D to the Resolution of Formation (the "**RMA**"), a special tax is hereby levied on all taxable parcels within the CFD for the 2018-2019 fiscal year and for all subsequent fiscal years in the amount of the maximum authorized special tax under the Resolution of Formation until collection of the special tax by the City Council ceases and a notice of cessation of special tax is recorded in accordance with section 53330.5 of the Code. This amount may be adjusted annually, subject to the maximum authorized special tax under the Resolution of Formation.
3. The City Treasurer or the City Treasurer's designee (in the instance of the use of debt financing) or the Finance Director or the Finance Director's designee (when no debt has been issued) is the Manager of the CFD (the "**Manager**"). The Manager shall serve as the "Administrator" of the RMA (i.e. as "the City official responsible for determining the Annual Costs and providing for the levy and collection of the Special Tax"; section 2 of the RMA) with the aid of the appropriate officers and agents of the City. The Manager is hereby authorized and directed, without further action by the City Council, to do the following:
 - (a) calculate the appropriate amount of the special tax each year (as authorized by, and as provided in, the Resolution of Formation and the RMA);
 - (b) prepare the annual special-tax roll in accordance with the Resolution of Formation and the RMA; and
 - (c) provide to the Sacramento County Auditor-Controller all information in proper form, and in proper time, that is necessary and appropriate to effect the correct and timely billing and collection of the special tax on the secured property-tax roll of Sacramento County (the "**County**").

4. As provided in section 53340 of the Code, the Resolution of Formation, and the RMA, the special tax is to be collected in the same manner and at the same time and to be subject to the same enforcement mechanism and the same penalties and interest for late payment as regular *ad valorem* taxes, except that the City Council reserves the right to utilize any other lawful means of billing, collecting, and enforcing the special tax, including direct billing, supplemental billing, and, when lawfully available, judicial foreclosure of the special-tax lien.
5. The appropriate officers and agents of the City are hereby authorized to make adjustments to the special-tax roll before the final posting of the special taxes to the County tax roll each year, as may be necessary to achieve a correct match of the special-tax levy with the assessor's parcel numbers used by the County in sending out property-tax bills. The County may deduct its reasonable and agreed-upon charges for collecting the special tax from the amounts collected before remitting the special-tax collections to the City.
6. Any taxpayer may appeal the levy of the special tax by filing a written notice of appeal in accordance with section 7 of the RMA, which is supplemented as follows:
 - (a) A taxpayer may file a notice of appeal with the Manager not more than two years after the end of the tax year for which the taxpayer is contesting the levy, and the taxpayer's failure to do so within that time constitutes a bar to appeal. The notice of appeal must specify in detail the grounds of the appeal, which are limited to (1) clerical errors in assigning an amount of tax to a parcel and (2) an error in defining the use of a parcel or its classification. No other appeals are allowed.
 - (b) Not more than 30 days after an appeal is filed, the Manager shall review the appeal, meet with the taxpayer (if necessary), and mail the taxpayer a written decision on the appeal. If the Manager finds that the special tax should be modified, then the Manager shall correct the special-tax levy or grant the taxpayer a credit against the next year's special-tax levy, as appropriate under the circumstances. The Manager's failure to timely mail a written decision will constitute a decision denying the appeal.
 - (c) If the taxpayer disagrees with the Manager's decision, and if the taxpayer is current on payments of the special tax, then the taxpayer may appeal to the City Council by filing a written notice of appeal with the City Clerk not more than 30 days after the Manager mails the notice of decision or has failed to timely mail a written decision, and the taxpayer's failure to do so constitutes a bar to further appeal. The notice of appeal must specify in detail the grounds of appeal. The City Council shall, in accordance with chapter 1.24 of the City Code, either hear the appeal itself or refer the appeal to a hearing officer. The hearing on the appeal from the Manager's

decision is to be conducted not more than 30 days after the taxpayer files the appeal with the City Council, and the City Council or the hearing officer, as appropriate, shall mail a written decision to the taxpayer not more than 30 days after the hearing concludes. The decision of the City Council or the hearing officer will be final for all purposes. The failure of the City Council or the hearing officer to hear the appeal or to render a decision within the specified time will constitute a denial of the appeal.

7. The filing of an appeal under section 6 of this ordinance will not relieve the taxpayer of the obligation to pay the special tax when due.
8. If for any reason a court with jurisdiction finds any portion of this ordinance to be invalid or finds the special tax to be inapplicable to any particular parcel, then the balance of this ordinance and the application of the special tax to the remaining parcels will not be affected.

RESOLUTION NO.

Adopted by the Sacramento City Council

Establishing an Accounting Fund for the Railyards Community Facilities District No. 2018-01 (Improvements)

BACKGROUND

- A. Formation of Railyards Community Facilities District 2018-01 (Improvements) (the "District") was approved by City Council on August 14, 2018. FY 2018-19 is the first year that landowners within the District will be subject to the special tax. A new accounting fund needs to be created in accordance with Article IX, section 114, of the City Charter.
- B. The District will levy special taxes in an amount sufficient to provide partial reimbursement to the developer for public improvements and fee-related public improvements, and for administrative expenses.

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

- Section 1. City Council finds and determines that the background statements A and B are true and correct.
- Section 2. The City Manager, or his designee, is authorized and directed to create a new accounting fund to be designated as the Railyards CFD 2018-01 (Improvements).