



# CITY OF CARSON

## Legislation Text

File #: 2018-829, Version: 1

### Report to Mayor and City Council

Wednesday, November 07, 2018

Special Orders of the Day

#### SUBJECT:

**CONSIDER THE FOLLOWING MATTERS RELATING TO THE ESTABLISHMENT OF CFD NO. 2018-01 (MAINTENANCE AND SERVICES):**

**(1) ADOPTING RESOLUTION NO. 18-119 DETERMINING THE VALIDITY OF PRIOR PROCEEDINGS, FORMING CFD NO. 2018-01 (MAINTENANCE AND SERVICES) AND FUTURE VOLUNTARY ANNEXATION AREA, AUTHORIZING THE LEVY OF A SPECIAL TAX THEREIN, ESTABLISHING AN APPROPRIATIONS LIMIT, AND TAKING CERTAIN OTHER ACTIONS RELATING TO SAID DISTRICT;**

**(2) ADOPTING RESOLUTION NO. 18-120 CALLING A SPECIAL LANDOWNER ELECTION RELATING TO THE LEVY OF A SPECIAL TAX THEREIN AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT;**

**(3) ADOPTING RESOLUTION NO. 18-121 DECLARING THE RESULTS OF A SPECIAL LANDOWNER ELECTION RELATING TO THE LEVY OF A SPECIAL TAX THEREIN AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT;**

**(4) ADOPTING ORDINANCE NO. 1814 - AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN CFD NO. 2018-01 (CITY COUNCIL)**

#### **I. SUMMARY**

On September 18, 2018, the City adopted Resolution 18-083 declaring intention to establish the City of Carson Community Facilities District No. 2018-01 ("CFD No. 2018-01") (Maintenance and Services) and Future Voluntary Annexation Areas. The purpose of the CFD is to mitigate the adverse fiscal impacts on municipal services associated with new development projects, including residential and industrial projects. Staff recorded the CFD No. 2018-01 Boundary Map including Future Voluntary Annexation Areas on September 20, 2018 with the Los Angeles County Recorder's Office. At a future City Council meeting, staff will present a Fiscal Impact Analysis that will establish the tax rate for eligible projects annexing into CFD 2018-01.

The next steps in the formation process are to hold a public hearing, to determine if there are any majority protests by interested persons and to accept public comments regarding

the establishment of CFD No. 2018-01, generally, and to consider the following legislative steps:

1. **Resolution No. 18-119.** This Resolution determines the validity of prior proceedings, forms CFD No. 2018-01 and future voluntary annexation areas and authorizes the levy of special taxes. The initial boundary of CFD No. 2018-01 ("Exhibit No. 1") incorporates JJ.ER, LLC's (Calpak's) property at 17706 S. Main Street (APN: 7339-002-003) and establishes a future voluntary annexation area encompassing the entire City. List of eligible public services authorized to be financed under CFD No. 2018-01 and the special tax rates are included as exhibits to this resolution.
2. **Resolution No. 18-120.** This Resolution calls for the special election. At this time, JJ.ER, LLC (CalPak) is the only landowner and eligible voter within CFD No. 2018-01. The City Clerk will open the ballot and state the result of the special mailed-ballot election, in accordance with the Mello-Roos Community Facilities Act of 1982, as amended (Gov. § 53311 et seq.) (the "Act") and all applicable provisions of the Elections Code.
3. **Resolution No. 18-121.** Next, the City Clerk will confirm the results of elections. If the results of the election affirm the formation of CFD No. 2018-01, the City Council would be requested to consider Ordinance No. 18-1814. However, if the election does not affirm the formation of CFD No. 2018-01, Recommendation Items No. 3, 4, and 5 will be continued to another Council meeting, subject to the applicable laws and the Act.
4. **Ordinance No. 18-1814.** This Ordinance authorizes the levy of a special tax on the Property (JJ.ER, LLC) on the secured property tax roll of Los Angeles County that is within the boundaries of CFD No. 2018-01. Should Council adopt the resolutions and introduce the ordinance, the City Clerk, or designee, would be directed to record the Notice of Special Tax Lien with the Los Angeles County Recorder's Office. A second reading of the ordinance would be scheduled for the November 20, 2018 City Council Meeting. Final publication of the ordinance would occur within 15 days of adoption from the 2<sup>nd</sup> hearing, completing the formation of CFD No. 2018-01. The Ordinance would be effective within 30 days after publication, anticipated for the end of the calendar year or shortly thereafter.

## II. RECOMMENDATION

TAKE the following actions:

1. OPEN the public hearing, TAKE public testimony regarding the establishment of CFD No. 2018-01 and Future Voluntary Annexation Area, and then CLOSE the public hearing.
2. WAIVE further reading and ADOPT Resolution No. 18-119, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON DETERMINING THE VALIDITY OF PRIOR PROCEEDINGS, FORMING THE CITY OF CARSON COMMUNITY FACILITIES DISTRICT NO. 2018-01 (MAINTENANCE AND SERVICES) AND FUTURE VOLUNTARY ANNEXATION AREA, AUTHORIZING THE LEVY OF A SPECIAL TAX

THEREIN, ESTABLISHING AN APPROPRIATIONS LIMIT, AND TAKING CERTAIN OTHER ACTIONS RELATING TO SAID DISTRICT.”

3. WAIVE further reading and ADOPT Resolution No.18-120, “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE CITY OF CARSON COMMUNITY FACILITIES DISTRICT NO. 2018-01 (MAINTENANCE AND SERVICES) CALLING A SPECIAL LANDOWNER ELECTION RELATING TO THE LEVY OF A SPECIAL TAX THEREIN AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT.”

After Resolution Nos. 18-119 and 18-120, the City Clerk will conduct the election process. While there are certain time limits after Public hearing in which an election must occur, the property owner has waived such restrictions. The City Clerk will open the ballots and state the results of the election. If the results of the special election reveal that the propositions have received the affirmative vote of two-thirds of the votes cast, the City Council will then:

4. WAIVE further reading and ADOPT Resolution No. 18-121, “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE CITY OF CARSON COMMUNITY FACILITIES DISTRICT NO. 2018-01 (MAINTENANCE AND SERVICES) DECLARING THE RESULTS OF A SPECIAL LANDOWNER ELECTION RELATING TO THE LEVY OF A SPECIAL TAX THEREIN AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT.”

Following the vote, and assuming the election is successful in affirming the formation of CFD No. 2018-01, the City Council is requested to consider the following:

5. INTRODUCE and WAIVE the first reading of Ordinance No. 18-1814, “AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CARSON ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE CARSON COMMUNITY FACILITIES DISTRICT NO. 2018-01 (MAINTENANCE AND SERVICES) AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN SAID DISTRICT.”

As stated, if the election does not affirm the formation of CFD No. 2018-01, Recommendation Items No. 3, 4, and 5 will be continued to another Council meeting, subject to the applicable laws and the Act.

### **III. ALTERNATIVES**

TAKE any other action the City Council deems appropriate.

### **IV. BACKGROUND**

The purpose of CFD No. 2018-01 is to mitigate the adverse fiscal impacts on municipal services associated with new development projects, including industrial and multi-family residential developments. Unlike Development Impact Fees which provide funding for

initial infrastructure costs only, CFD No. 2018-01 is intended to pay for ongoing municipal services. As permitted by the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government (the “Act”), CFD No. 2018-01 may provide one or more of the following eligible services to new projects:

- Law enforcement services;
- Street sweeping / Sidewalk cleaning and maintenance;
- Maintenance of parks, parkways and open space;
- Maintenance of roadways;
- Flood and storm protection services; and
- Other eligible services permitted by the Act.

Based on the City’s status as a low-property-tax City, new development exacerbates the current strain on the City’s budget to provide services. The formation of CFD No. 2018-01 provides the City the ability to levy special taxes on new eligible projects. The initial formation of CFD No. 2018-01 will be comprised of the property located at 17706 S. Main Street (APN: 7339-002-003) (“Property”) owned and developed by JJ.ER, LLC (CalPak). JJ.ER, LLC has previously agreed to participate in one or more future CFD’s to pay for ongoing costs associated with the project. These costs were calculated by the City’s engineering consultant, RKA Consulting Group, and amounted to \$9,189.21 annually. As further described in Exhibit C to Resolution 18-119 (“CFD Report”) costs include landscape maintenance, street sweeping and sidewalk cleaning maintenance, street maintenance, and law enforcement services.

On August 29, 2018, the City received a petition (with waivers) from JJ.ER, LLC requesting the City to create a new Community Facilities District. On September 18, 2018, the City Council adopted Resolution No. 18-083 declaring intention to establish CFD No. 2018-01 and a city-wide Future Voluntary Annexation Area.

Subsequent to the adoption of Resolution No. 18-083, and as required by the Act, the Boundary Map was recorded with the Los Angeles County Recorder’s office on September 20, 2018. The Boundary Map also includes a “Future Voluntary Annexation Area,” which corresponds to the City’s corporate boundaries. The future voluntary annexation area will enable all future eligible development projects anywhere within the City to annex into CFD No. 2018-01 with the unanimous approval of the property owner. This process will save staff time and costs to Developers by streamlining future CFD annexations.

#### *Public Notice and Election Ballots*

On October 18, 2018, the Notice of Public Hearing was published in “Our Weekly” and posted at City Hall (2 locations), Los Angeles County Regional Library at Carson, Los Angeles County Library - Victoria Park Branch, Los Angeles County Sheriff’s Department, Dominguez Park, and Congresswoman Juanita Millender-McDonald Community Center.

On October 24, 2018, the election ballots and instructions were mailed to the sole landowner, JJ.ER, LLC, within the proposed boundary of CFD No. 2018-01. In addition, staff informed the sole landowner via email about the next steps in the formation process

including the public hearing and election.

### CFD Annexation or Alternative Mandatory City Financing Options

Once CFD No. 2018-01 is fully formed, certain projects, including industrial and multi-family residential, that impose negative fiscal impacts on recurring city services would have the option to annex to the CFD. Alternatively, projects can mitigate their negative fiscal impacts by participating in one of the “Mandatory City Financing Options” described in Table 1 below.

<b>TABLE 1 MANDATORY CITY FINANCING OPTIONS FOR PROJECTS LIKELY TO IMPOSE NEGATIVE FISCAL IMPACTS TO CITY SERVICES</b>	
<b>FINANCING OPTION</b>	<b>DESCRIPTION</b>
CFD Annexation - <i>City Preferred Alternative</i>	Under this option, the Property Owner would agree to annex the Property of the proposed project into CFD 2018-01 and pay a special tax in perpetuity. <i>This option is preferred by the City and is often the most cost-effective option for Developers.</i>
Lump Sum Payment	Under this option, the Developer would provide a lump sum fee amount for 50 years of service at the CFD Fiscal Impact Analysis Rate or equivalent Alternative Rate(s).
Maintenance Covenant	The City or developer may propose an alternate system of providing for the services as long as it is agreed to by the City Council.
Development Agreement	Under this option, the Developer would agree to pay a rate 15 percent above the CFD Fiscal Impact Analysis Rate or equivalent Alternative Rate(s) for a defined period of years (e.g., 5 years). A year prior to the end of the defined period, the Developer would be required to participate in the CFD Fiscal Impact Analysis or another alternative Mandatory Financing Option described in Table 1. The additional 15 percent covers the additional costs of the requirements and administration costs. Developer would be required to post some security up front to ensure that the requirements are taken care of if a lesser amount is required up front.
Other	Other financing alternative arrangements may be developed and approved by the City on a case-by-case basis.

### Criteria for Projects Subject to CFD Annexation or Mandatory City Financing

Future projects subject to City approval that are likely to impose negative fiscal impacts to City services are anticipated to be annexed into CFD No. 2018-01, unless they provide a separate financing mechanism to fund the negative fiscal impacts associated with the project. These projects are anticipated to consist primarily of new industrial projects and multi-family residential projects (5 units or more). Projects subject to CFD Annexation or an alternative Mandatory City Financing Option include new construction as described in Table 2.

**TABLE 2 ELIGIBLE PROJECTS SUBJECT TO CFD ANNEXATION OR ALTERNATIVE MANDATORY CITY FINANCING**

ELIGIBLE PROJECTS	TYPES OF DEVELOPMENT	PROPOSED TAX RATE
New Construction or complete demolition and redevelopment of the site (Additions or improvements to existing buildings, tenant improvements, and tenant changes are not subject to the CFD	Industrial or Multi-Family 5+ units.	Rate based on the rates to be established in the Fiscal Impact Analysis which will be presented to City Council at a later date.

## **V. FISCAL IMPACT**

The Fiscal Impact Analysis Report and related discussions is summarized above.

Additionally, there is no immediate fiscal impact to the City's General Fund as a result of these actions. Certain agreements with JJ.ER, LLC as well as other existing agreements with developers will cover the entire costs of forming CFD No. 2018-01, including staff time and consultant services. CFD No. 2018-01 will be fiscally self-sustaining. Ongoing administration fees will be paid by owners of properties annexed into CFD No. 2018-01 through the levy of annual special taxes. Future annexation costs will be offset by future developer fees.

The formation of CFD No. 2018-01 will ultimately have future fiscal neutral impacts of increased revenues and expenses. JJ.ER LLC will increase City revenues and expenses by approximately \$9,189.21 annually. As future projects annex into CFD No. 2018-01, the City can expect increase in revenues and expenses. These increased revenues and expenses will be accounted for in a separate restricted fund.

## **VI. EXHIBITS**

1. Resolution No. 18-119 Determining the Validity of Prior Proceedings, Forming CFD No. 2018-01 (Maintenance and Services) and Future Voluntary Annexation Area, Authorizing the Levy of a Special Tax Therein, Establishing an Appropriations Limit, and Taking Certain Other Actions Relating to Said District (pgs. 7-36)
2. Resolution No. 18-120 Calling a Special Landowner Election Relating to the Levy of a Special Tax Therein and the Establishment of an Appropriations Limit (pgs.37-42)
3. Resolution No. 18-121 Declaring the Results of a Special Landowner Election Relating to the Levy of a Special Tax Therein and the Establishment of an Appropriations Limit (pgs. 43-47)
4. Ordinance No. 18-1814 Authorizing the Levy of a Special Tax within CFD No. 2018-01 (pgs. 48-58)

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