



## Legislation Text

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### Report to Mayor and City Council

Tuesday, January 12, 2021

Consent

#### SUBJECT:

**CONSIDER ADOPTING RESOLUTION NO. 21-003 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) REPEALING RESOLUTION NO. 19-009 WHICH APPROVED ADMINISTRATIVE ANNEXATION PROCEDURES AND ADOPTED CERTAIN CITY-WIDE TAX RATES (CITY COUNCIL)**

#### I. SUMMARY

On November 7, 2018, the City adopted Resolution No. 18-119 (the “Resolution of Formation”) (Exhibit No. 1) to form CFD No. 2018-01 (“CFD”) for maintenance and services. This CFD also included a City-wide future voluntary annexation area. New development projects that impose negative fiscal impacts on recurring City services now have the option to annex into the CFD with the approval of their property owner.

In 2019, the City Council adopted Resolution No.19-009 (“Resolution”) (Exhibit No. 2) which has two primary purposes: (1) to adopt a uniform procedure for annexing future properties into the CFD administratively at City Staff level, and (2) to adopt uniform tax rates based on land use categories and zones established under the Fiscal Impact Analysis, dated March 2019 (the “FIA”), prepared by NBS Government Finance Group (“NBS”) for the CFD.

While the uniform procedures provide the flexibility for staff to annex new development projects administratively into the CFD at pre-approved rates, it has not been utilized to date. One reason, as further elaborated in this report, is that the Property Type categories and zones contemplated in the FIA do not fit within the tax formula of the previously established CFD. Because of this issue, new development projects over the past years have annexed individually under separate resolutions. The separate resolution approach has also provided greater transparency to the public to the process as each annexation would be considered at a public meeting.

Therefore, staff’s recommendation is to repeal Resolution No. 19-009, by adoption of Resolution No. 21-003 (Exhibit No. 3), as it has not been utilized and does not provide

transparency to the public. Future annexations would continue to be governed by the original CFD formation resolutions and would be approved individually by the City Council. The City may also create a new CFD or multiple CFDs to annex properties, as appropriate.

## **II. RECOMMENDATION**

TAKE the following action:

WAIVE further reading and ADOPT Resolution No. 21-003, "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) REPEALING RESOLUTION NO. 19-009 WHICH APPROVED ADMINISTRATIVE ANNEXATION PROCEDURES AND ADOPTED CERTAIN CITY-WIDE TAX RATES"

## **III. ALTERNATIVES**

TAKE any other action the City Council deems appropriate.

## **IV. BACKGROUND**

The CFD was formed in November 2018 as a mechanism to mitigate the negative fiscal impacts on municipal services associated with new development projects. Unlike Development Impact Fees which provide initial infrastructure costs only, CFDs are intended to pay for supplemental municipal services provided to the new developments. The CFD was formed and included a voluntary annexation area with the intent of annexing future projects into the CFD overtime to the extent the developer consents to inclusion as a means to mitigate its project's impacts.

In April 2019, Resolution No. 19-009 was adopted to provide procedures for an administrative annexation into the CFD without the need to come to the City Council and to approve rates in the FIA. The Resolution was intended to streamline the CFD annexation process; however, it has not been utilized since its adoption. One reason for its lack of usage is that the land use categories and zones contemplated in the FIA do not fit within the tax formula of the previously established CFD's Rate and Method of Apportionment (RMA) Property Types. This is further illustrated in the subsequent table.

CFD taxes can only be levied on Property Types that exist within the CFD's RMA. Normally, the FIA tax rates would be based off Property Type categories in the CFD's RMA. However, during the FIA process in early 2019, new tax rates categories were created to more accurately capture project fiscal impacts and fairly pass costs to the property owners. The FIA created new residential categories based on the number of bedrooms in project. Lower bedroom counts were assigned lower taxes as they have less impact than larger units. The same approach applied to industrial zones whereby higher tax rates were assigned to areas requiring more services.

Because CFD taxes can only be levied on Property Types that exist within the CFD's RMA, Resolution No. 19-009 transposed the new FIA tax rates categories into existing CFD RMA

Property Types under Tax Zone No. 4. For example, as seen below, the FIA “*Residential - All Other*” Category’s rate is converted to the CFD’s RMA Property Type of “*Single Family Detached Property*.” The transposition of the FIA tax rates into CFD RMA Property Types was based on a “fits under most situations” approach.

FIA Tax Rates Categories	Resolution No. 19-009 (Tax Zone No. 4) CFD RMA Property Types	Maximum Special Tax Rate
Residential – All Other	Single Family Detached Property	\$879.10 / Unit
Residential – Studio / APT	Single Family Attached Property	517.94 / Unit
Residential – Studio / APT	Multi-Family Property	517.94 / Unit
Industrial (city-wide)	Non-Residential Property	449.30 / Acre
Industrial Zone 1 (local routes)	Non-Residential Property – Industrial Zone 1	2,616.10 / Acre
Industrial Zone 2 (overweight)	Non-Residential Property – Industrial Zone 2	5,347.80 / Acre
N/A	Association Property	0.00
N/A	Public Property	0.00

In practice, the City has not been able to use the “fits under most situations” approach of the Resolution to new development projects since its adoption. For example, *Single Family Attached* residential projects such as the 21915 Dolores Street (Annexation No. 3) and Brandywine (Annexation No. 4) were annexed under separate resolutions because the higher number of bedroom counts in those projects warrant the higher tax tier (i.e. FIA’s *Residential - All Other* tier). These properties were not annexed under the Resolution because the tax rate amount would not have been consistent with the calculation methodology of the FIA.

Therefore, Staff has determined that Resolution No. 19-009 does not accomplish its intended purpose. Instead, moving forward, staff is recommending that new development projects be annexed into the current CFD through City Council action instead of approval of annexations by staff. This approach provides greater transparency to the process and ensures new development projects continue to equitably pay their fair share of ongoing services.

## V. FISCAL IMPACT

### CFD Annexation Costs

There are no fiscal impacts to the City as the costs for annexations regardless of existence of Resolution NO. 19-009 are paid by developers through project deposit fees.

## VI. EXHIBITS

1. Resolution No. 18-119 - (pgs. 5-33)

2. Resolution No. 19-009 - (pgs.34-110)
3. Resolution No. 21-003 - (pgs.111-114)

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