



Date: August 22, 2023

Honorable Mayor and Council Members:

Author and title: Becky Bucar, Assistant Public Works Director

Title: **Approval of Local Public Infrastructure Financing Policies for Mello Roos/Community Facilities District/Assessment District – Developer Requested Financing**

Jen Callaway, Town Manager

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**Recommended Action:** Adopt Resolution 2023-54 adopting updated Local Goals and Policies for Community Facility Districts and Assessment Districts.

**Discussion:** On November 13, 2018, the Town Council approved Resolution 2018-33 (***Attachment 1***) updating the Town's Local Goals and Policies for Community Facilities Districts (CFDs) and Assessment Districts (ADs) to include policies that allowed some capital infrastructure financing. Prior to that, the Town had a policy, codified in Resolution 2015-53 (***Attachment 2***), that specifically excluded the use of the Town's taxing authority for the creation of a CFD or AD for capital infrastructure. The November 2018 staff report is provided in ***Attachment 3***. When the 2018 resolution and policy was adopted, it was done as a pilot program that would sunset if not reinstituted and it expired in November of 2021, making the original 2015 policy take effect again.

Staff was approached by the Soaring Ranch developers in 2022 about the desire to assess properties in the Soaring Ranch development to fund infrastructure (see letter in ***Attachment 4***) and staff was subsequently asked by the BOLD administrators to confirm that the request met the Town's local goals and policies. After reviewing the policies staff recognized that the 2018 Local Goals and Policies that allowed infrastructure financing had expired and new assessments for infrastructure could not be approved under the current policies (Resolution 2015-53). After relaying this information to the Soaring Ranch developers, staff had conversations with the Coldstream and Railyard development teams as well and has since received the three attached letters from each of these development teams requesting that the Town reinstate the 2018 Local Goals and Policies to allow additional infrastructure financing (***Attachment 5***).

## **Background**

In the last decade, the Town has created CFDs and Landscape and Lighting Districts (LLD), a form of AD, to fund sidewalk and landscape maintenance, and to generate funding for ongoing transit operations as follows:

1. Brickelltown Maintenance District (CFD 2013-1) (Resolution 2014-04)
2. Railyard Transit and Maintenance District (CFD 2017-2) (Resolution 2018-06)
3. Envision DPR Landscaping and Lighting Assessment District No. 1 (LLD 1) (Resolution 2017-45)
4. Joerger Ranch Trail Maintenance and Transit District (CFD 2015-1) (Resolution 2018-70)
5. Coldstream Transit and Trail Maintenance District (CFD 2019-1) (Resolution 2019-62)
6. West River Landscaping and Lighting District (LLD 1) (Resolution 2022-68)

The 2018 Local Goals and Policies were developed in response to several requests from developers to use the Town's taxing authority to borrow money through purchase of bonds and using the bond proceeds

to fund a portion of the cost of capital infrastructure for new development projects. The bonds would then be paid off over a 30-year period through special property assessments paid by future property owners within a given development project area.

The approval of the 2018 Local Goals and Policies was the result of the following Council discussions on the subject:

- An educational session held on February 2, 2018
- Two (2) regular Council discussions on May 22 and July 10, 2018
- A second educational session on October 1, 2018
- Adoption of the policies at a regular Town Council meeting on November 13, 2018 (**Attachment 3**)

In addition to the Council discussions and at the direction of the Town Council, staff convened three stakeholder meetings that included representatives from the three developers who were requesting infrastructure financing (Coldstream, Railyard, and Soaring Ranch) along with former Council members Kathleen Eagan, Joan Jones and Ted Owens and seated current-at-the time Council member, Patrick Flora. Staff also included Dennis McGuire, Managing Director of Piper Sandler's Public Finance unit (for experience with the BOLD public financing program) and several representatives of the PC-3 Specific Plan area attended the last meeting. A separate follow-up meeting was also requested by Ted Owens and was held with staff and the current and past Council members.

The policy development process highlighted that CFD and AD public infrastructure financing is a highly complex and sensitive issue, especially given that there were developments actively seeking funding. Several categories of issues are highlighted in the November 2018 staff report: Administrative, Project Eligibility, Geographic Eligibility, and Fiscal. The policy was developed using principles that captured the direction provided by the Council at that time and included an "implementation definition/criteria" to provide a clear and quantifiable way to distinguish between projects and ensure risks are low and benefits to the community as a whole are high.

One of the key topics discussed in the development of the 2018 policy is the projects are required to provide an "extraordinary public benefit" that represents a substantial amount of the total project infrastructure. "Extraordinary public benefit" was defined in the 2018 policy and was required to equate to 20% of the overall financing request for projects within the former Redevelopment Agency boundary and 40% for projects outside the boundary.

It is also worth noting that staff recommended that any infrastructure financing be administered only through a Joint Powers Authority ("JPA") that serves as a conduit issuer for locally approved projects. Using one of these JPA's allows for the Town's policies to be followed while removing the initial and ongoing administrative burdens associated with infrastructure financing. Staff has since determined that a JPA named the California Municipal Finance Authority (CMFA) which offers the "BOLD" program is the preferred JPA to administer this process.

Below is a summary of the status of each development area and the associated infrastructure CFDs.

### **Coldstream**

- January 22, 2019: Coldstream Infrastructure CFD application approved by Council (**Attachment 6**).
- October 25, 2019: Coldstream CFD Formation approval by CMFA.
- June, 2021: Improvement Area # 1 Bonds Issued \$2.6 million (\$913,000 for stormdrain, the remainder for utilities, administration, or financing).
- Development status: Phase 1 infrastructure is complete; some buildings are occupied and some buildings are under construction.

Summary of Private Development Infrastructure CFD Applications						
Development:	Coldstream		Railyard		Soaring Ranch	
	Total Infrastructure Costs	\$33,847,000	Total Infrastructure Costs	\$40,300,000	Total Infrastructure Costs	\$8,625,406
	Max Finance Amount	\$10,750,000	Max Finance Amount	\$20,100,000	Max Finance Amount	\$4,250,000
Public Benefit						
	Donner Pass Road Roundabout (AHSC Grant Contribution)	\$1,300,000	Undergrounding Overhead Transmission	\$374,179	20.84 Acre Land Donation	\$757,944
	Coldstream Road Improvements	\$295,000	Railroad Pocket Park	\$35,000	Public Art	\$250,000
	Off Site Trail to Donner Memorial State Park	\$132,000	Public Art (Sidewalk Tracks)	\$40,594	Transit CFD	\$789,150
	Off Site Trail Extension to SR 89	\$118,000	Transit CFD	\$4,718,694	Benefit Subtotal	\$1,797,094
	Deerfield Drive Roundabout	\$700,000	Land Acquisition/ Donation		% of Total Financing	42%
	Transit CFD	\$818,680	Artist Lofts	\$1,681,000	Benefit Threshold	40%
	Trail Maintenance CFD	\$160,900	Beacon Lot	\$698,528		
	1% Transfer Fee	\$741,554	Church Street ROW - 2. 37 AC at \$ 16/ SF 1, 651, 795	\$1,651,795		
	Restore Cold Creek	\$1,200,000	Theater	\$574,992		
		Benefit Subtotal	\$5,466,134	Balloon Track Public Use	\$1,000,000	
	% of Total Financing	51%	Benefit Subtotal	\$10,774,782		
	Benefit Threshold	20%	% of Total Financing	54%		
			Benefit Threshold	20%		

## Railyard

- April 23, 2019: Railyard Infrastructure CFD application approved by Council (**Attachment 7**).
- July 17, 2020: CFD Formation approval by CMFA.
- Development status: Phase 1 and 2 infrastructure complete and Artist Lofts building occupied.

## Soaring Ranch

- May 12, 2020: Soaring Ranch Infrastructure CFD application approved by Council (**Attachment 8a**).
- November 10, 2020: Infrastructure CFD approval revised to clarify land donation public benefit value (20.84 acres at a value of \$757,964, **Attachment 8b**).
- February 26, 2021: CFD Formation approval by CMFA.
- Development status: Phase 1 infrastructure complete (excepting the trail along Brockway Road) and Raleys center buildings are complete.

As noted, to date assessments have only been approved and charged in the Coldstream Infrastructure CFD.

Staff recommends that Council re-adopt the Local CFD and AD Goals and Policies to again allow infrastructure financing. However, as the development landscape, regional economics, and Council priorities have changed over the past 5 years, staff also recommends the following changes to the 2018 policy:

- Limiting the amount of financing allowed under each development to the amount that was included in the approved applications for each development, or as follows:
  - Coldstream: \$10,750,000
  - Railyard: \$20,100,000
  - Soaring Ranch: \$4,250,000Each applicant would still need to meet all the policy requirements to be eligible, including providing adequate public benefit equal to 20% of the finance amount within the former Redevelopment Agency boundary and 40% outside the former Redevelopment Agency boundary.
- Establish a sunset date of August 22, 2028 (5 years).
- Disallow financing for applicants that are currently in violation of any local, state, or federal laws, statutes, ordinances, rules, or regulations pertaining to the development, construction, or operation of the project (including local Town Code enforcement actions).

Staff recommends that Council adopt Resolution 2023-53 Adopting Updated Local Goals and Policies for Community Facility Districts and Assessment Districts (**Attachment 9**). A redline/track changes version (compared to Resolution 2018-33) is provided in **Attachment 10**.

## Priority:

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input checked="" type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/> Core Service

**Fiscal Impact:** The policies have been developed in a way that will have minimal fiscal impact on the Town, such as minimizing the long-term financial risk to the Town, avoiding overburdening individual parcels with property taxes, and using a JPA to administer the CFDs and ADs.

**Public Communication:** Recent conversations with the Soaring Ranch, Coldstream, and Railyard development teams and the 2018 staff reports associated with the original policy adoption.

**Attachments:**

Attachment 1 - Resolution 2018-33 updating the Town's Local CFD and LLD Goals and Policies to include capital infrastructure financing

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59348749&repo=r-6a91ddbc>

Attachment 2 - Resolution 2015-53 adopting the current Local CFD and LLD Goals and Policies

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59181753&repo=r-6a91ddbc>

Attachment 3 – November 13, 2018 staff report

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59347674&repo=r-6a91ddbc>

Attachment 4 – Initial Letter from JMA requesting initiation of CFD infrastructure financing for the Soaring Ranch project

Attachment 5 - Letters from Soaring Ranch, Railyard, and Coldstream development teams requesting that the Town reinstate the 2018 Local Goals and Policies to allow additional infrastructure funding

Attachment 6 - Coldstream Infrastructure CFD application approved by Council (January 22, 2019) and adopting resolution

January 22, 2019 Staff Report:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59367651&repo=r-6a91ddbc>

Resolution 2019-04: <https://portal.laserfiche.com/Portal/DocView.aspx?id=59376530&repo=r-6a91ddbc>

Attachment 7 - Railyard Infrastructure CFD Application Approved by Council (April 23, 2019)

April 23, 2019 Staff Report:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59385712&repo=r-6a91ddbc>

Resolution 2019-17: <https://portal.laserfiche.com/Portal/DocView.aspx?id=59386206&repo=r-6a91ddbc>

Attachment 8 - Soaring Ranch Infrastructure CFD Application Approved by Council (May 12, 2020 and November 10, 2020)

May 12, 2020 Staff Report:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59437137&repo=r-6a91ddbc>

November 10, 2020 Staff Report:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59507416&repo=r-6a91ddbc>

Resolution 2020-75: <https://portal.laserfiche.com/Portal/DocView.aspx?id=59510683&repo=r-6a91ddbc>

Attachment 9 – Resolution 2023-54 Updated Local CFD Goals and Policies

Attachment 10 – Redline/Tracked Changes version of Resolution 2023-54