City of Culver City, California

Agenda Item Report

Meeting Date: 11/01/10	Item Number: J-4
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Discussion Regarding Potential Formation of Special Tax District for the Transit Oriented District at Washington/National and Authorization to Release a Request for Proposals for Professional Special Tax District Formation Services Related Thereto.	
Contact Person/Dept.: Glenn Heald Todd Tipton/Community Development Nick Kimball/Finance	Phone Number: (310) 253-5752, (310) 253-5783 and (310) 253-6013
Fiscal Impact: Yes [] No [X]	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X] Attachments: []	
Commission Action Required: Yes [] No [X] Date: _______________	
Public Notification: (E-Mail) Meetings and Agendas – City Council (10/27/10); Meetings and Agendas – Redevelopment Agency (10/27/10).	
Department Approval: Sol Blumenfeld/CDD (10/26/10) Jeff Muir/Finance (10/27/10)	City Attorney Approval: Carol Schwab (by H. Baker) (10/27/10) Agency General Counsel Approval: Murray Kane (10/21/10)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (10/27/10)	City Manager/Executive Director Approval: John M. Nachbar (10/27/10)

RECOMMENDATION:

Staff recommends the City Council and Redevelopment Agency Board (Agency Board) discuss the potential formation of a special tax district for the Transit Oriented District involving commercially zoned properties surrounding the Exposition Light Rail (LRT) station in the Washington/National area and authorize the issuance of a Request for Proposals (RFP) for professional special tax district formation services related thereto.

BACKGROUND:

The Mello-Roos Community Facilities Act of 1982 allows the funding of the construction or acquisition of real or tangible property with a useful life of five years or more (such as streets, sewer, and other infrastructure improvements) through the establishment of a Community Facilities District (CFD). A CFD is a special tax district with an amount levied annually on each parcel within the CFD. Voting for a CFD is done by mail-in ballot and requires approval by a supermajority (67%) of returned ballots. All registered voters within the boundaries of the CFD are eligible to vote. If there are fewer than 8 registered voters in the proposed CFD, then it is a vote of the property owners (a likely scenario for the proposed Washington/National

CFD). Similar to a Benefit Assessment District, the typical time to implement a CFD is nine to twelve months.

DISCUSSION:

A CFD is a method of financing required infrastructure and other public improvements through a bond issuance, which is subsequently repaid by a tax imposed on the property within the CFD. In general, any major commercial or mixed use development in the TOD District in the Washington/National area will require new or additional infrastructure improvements, which can be funded through the CFD.

Benefits to the City/Agency from the formation of a CFD include:

- The assessment to pay the debt service is applied to the property owners' tax bill, so efforts to collect the annual assessment are minimal, and may be contracted out to a management firm funded through the assessment's administrative fee.
- The bond is issued using the property in the CFD as security. Issuing a CFD bond does not impact the debt capacity or become an obligation of the City or Agency (the bond is the obligation of the underlying CFD).
- The City or Agency will be responsible for paying only that portion of the levy against any property that the City or Agency may own that lies within the CFD.

Benefits to the Developer from formation of a CFD include:

- The developer(s) amortizes the cost of the infrastructure improvement over the life of the debt (e.g. 20 years) rather than having to pay a large cost up front. Financing the infrastructure improvements through a tax-exempt CFD bond issue is cheaper than requiring the developer to finance the improvements at the developer's market finance rate.
- The cost is equitably distributed to all subject properties in the CFD, so no single developer or property owner is burdened with the entire expense of the infrastructure improvement.
- As the property is subdivided and sold off by developer(s), assessments remain with each property, so over time the developer(s) will likely pass off some or all of the expense to subsequent property owners.

Consultants who specialize in the formation of CFDs are readily available for hire. In order to explore all potential benefits and consequences of forming a CFD, staff requests authorization to issue an RFP for consultant services from firms specializing in CFD formation.

Steps to the formation of a CFD include:

1. City/Agency authorization to issue RFP for consultant
2. Issue RFP for consultant
3. Select consultant
4. Award contract
5. Consultant prepares required Engineering Report and other documents required to form a CFD
6. City conducts election to approve proposed CFD
7. City Council adopts CFD (if approved by voters)
8. CFD Bond issuance
9. Bond proceeds received
10. Improvements designed and constructed

If the Agency Board authorizes issuance of an RFP, staff will return to the Agency Board with a proposed implementation schedule and a request further direction upon completion of the RFP process.

FISCAL ANALYSIS:

There is no fiscal impact in issuing an RFP. If the Agency Board ultimately decides to hire a consultant and form a CFD, staff estimates the cost for the consultant's services will be between $27,000 and $35,000.

ATTACHMENTS:

None.

MOTION:

That both the City Council and Agency Board:

1. Discuss the potential formation of a special tax district for the Transient Oriented District at Washington/National; and

2. Authorize release of a Request for Proposals to provide special tax district formation services related thereto.