



## Council Agenda Report

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Item 5f

**Department:** Finance  
**Cost Center:** 2001  
**For Agenda of:** 7/6/2021  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Brigitte Elke, Finance Director

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**SUBJECT:** ANNUAL SPECIAL TAX LEVY REPORT FOR THE CITY OF SAN LUIS OBISPO COMMUNITY FACILITIES DISTRICT NO. 2019-1 (SAN LUIS RANCH)

### RECOMMENDATION

Receive and file the Annual Special Tax Levy Report for the City of San Luis Obispo Community Facilities No. 2019-1 (San Luis Ranch).

### DISCUSSION

#### Background

The San Luis Ranch Specific Plan was approved on July 18, 2017, and a year later, on July 17, 2018, the City Council approved its Development Agreement which provided the basis for the formation of the City of San Luis Obispo Community Facilities District No. 2019-1 (San Luis Ranch) (CFD) according to the Mello-Roos Community Facilities Act of 1982. The CFD was formed to fund major road improvements, potable and non-potable water system improvements, drainage system improvements, wastewater system improvements, solid waste improvements, park and paseo improvements, open space improvements, utilities, and other authorized facilities under the Mello-Roos Act, serving the Project as a condition of the City's approval of the development.

Subsequently, on February 19, 2019, the City Council, as the legislative body of the CFD, adopted a Resolution of Intention, including the Rate and Method of Apportionment (RMA) that specified the special tax to be levied by and within the District. The RMA was updated on April 20, 2021, to allow the CFD to incur bonded indebtedness in the aggregate principal amount of not to exceed \$25,000,000 secured by the levy of the mentioned special tax within the CFD.

As one of the steps on the approval of bond issuance, on May 5, 2021, the City Council adopted Ordinance No. 1697 (2021 Series) (attachment B), approving the levy of a special tax within the CFD for the fiscal year 2021-22 and all subsequent fiscal years and is solely applicable within the boundaries of the San Luis Ranch CFD.

The purpose of the levy of the special tax within the CFD is to cover authorized costs identified in the RMA such as administrative expenses, debt service, the payment of other costs associated with the bonds, etc.

The City has already established the necessary accounts with the County of San Luis Obispo Tax Collector to administer the special tax within the San Luis Ranch CFD. All necessary documentation and information will be provided to the County of San Luis Obispo Tax Collector in proper form and required timelines to bill and collect the special tax on the secured property tax roll of the County beginning in FY 2021-22. This does not exclude the City's 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.

### **Annual Special Tax Levy Report**

The CFD Annual Special Levy Tax Report covers all assessor parcels of land within the boundaries of the City of San Luis Obispo Community Facilities District No. 2019-1 (San Luis Ranch). The special tax attributed to each parcel was computed in accordance with the amended Rate and Method of Apportionment as approved by Council in Resolution No. 11233 (2021 Series). The report is divided into 4 chapters including an introduction, information about the taxable CFD land uses, the annual CFD costs, the assignment of the maximum special tax and special tax levy for FY 2021-22, and the proposed special tax levy for FY 2021-22 - Appendix A.

### **Previous Council or Advisory Body Action**

On April 20, 2021, the City Council adopted Resolutions No. 11233, 11238, 11239, 11240 (2021 Series) amending the Rate and Method of Apportionment and approving the issue of bonds for the San Luis Ranch CFD.

On May 5, 2021, the City Council adopted Ordinance No. 1697 (2021 Series) authorizing the levy of a special tax for the fiscal year 2021-22 and subsequent fiscal years.

### **Policy Context**

The approved San Luis Ranch Specific Plan and related entitlements are consistent with the City's adopted General Plan, and findings to that effect were made in both the original project approved in July 2017 as well as the amended project approval in August 2018. An evaluation of the project's consistency with General Plan policies is discussed at length in Section 4.9 of the certified Final Environmental Impact Report.

The Specific Plan requires that funding mechanisms be included to ensure that public infrastructure is coordinated with future development under the plan. The formation of a CFD was consistent with this requirement. A CFD, as enabled by the Community Facilities District Act of 1982, allows a local jurisdiction to levy a special tax within a specified area to pay for public services and/ or infrastructure needed within the area. Over the past three decades, CFDs have become a common mechanism for cities to fund services and finance development-related infrastructure, and the use of a CFD, in this case, is consistent with the City's Economic Development Strategic Plan and the General Plan.

The General Plan provides specific policies related to the funding of infrastructure noted below:

**1.13.6. Required Plans:** The City shall not allow the development of any newly annexed private land until the City has adopted a specific or development plan for land uses, open space protection, roads, utilities, the overall pattern of subdivision, and financing of public facilities for the area.

**1.13.9. Costs of Growth:** The City shall require the costs of public facilities and services needed for new development to be borne by the new development unless the community chooses to help pay the costs for a certain development to obtain community-wide benefits. The City shall consider a range of options for financing measures so that new development pays its fair share of costs of new services and facilities which are required to serve the project, and which are reasonably related to the new growth attributable to the development.

This report and the levying of the special tax are consistent with these General Plan policies and with the City's Local Goals and Policies for Community Facilities Districts.

### **Public Engagement**

The annual special tax report requires a "notify" level of public engagement that was accomplished through the publication of the agenda, associated report, and the acceptance of the report during a public session of the City Council.

### **CONCURRENCE**

The Community Development Department concurs with the information contained within this report.

### **ENVIRONMENTAL REVIEW**

Annual special tax reporting for the City of San Luis Obispo Community Facilities District No. 2019-1 (San Luis Ranch) is categorically exempt from California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15306 (Information Collection) and that the action otherwise qualifies for a "general rule" exemption according to Section 15061(b)(3), which covers activities "where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment." Annual reporting does not change any aspect of the approved San Luis Ranch project, nor does it introduce the potential for any new environmental impacts. Under Section 15306, the Secretary for the California Natural Resources Agency has concluded that "basic data collection, research, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource" are exempt from CEQA. Therefore, the proposed action is categorically exempt from further analysis under CEQA.

## **FISCAL IMPACT**

Each fiscal year, the District Administrator will calculate the maximum amount of special tax revenue that may be collected from all taxable parcels in the CFD. Given the fact that the district is currently being build-out, the levy for FY 2021-22 is based on the number of building permits issued by the first week of June 2021. Currently, the developer has issued 58 building permits (23 for low-density residential and 35 for medium-density residential). By allocating 100 percent of the assigned special tax for all developed parcels, the total special tax levy for the FY 2021-22 amounts to \$153,238.44.

The initial debt service will be paid for by capitalized interest funds established through the issuance of CFD bonds. In total, interest-only debt service payments for September 2021, and Calendar Year 2022, in the amount of \$962,086.67 will be paid by the funds deposited in the Capitalized Interest Fund.

The City is authorized to fund the annual cost of the CFD from the special tax collected. While not required under the provisions of the RMA, the City may levy the maximum special tax for developed parcels each fiscal year. Special tax revenues collected, that are not otherwise needed to fund the administration of the CFD, debt service, or to replenish the bond reserve fund, may be allocated to pay-as-you-go cost.

In taxing developed parcels for FY 2021-22, there will be a total of \$118,488.44 collected that is not required for other authorized costs of the CFD. This amount may be used to fund pay-as-you-go costs or could be held by the City to offset FY 2022-23 annual costs.

In accordance with the Acquisition Agreement entered into in October 2020 between the City and the developer, any amount not required to cover other authorized costs for the CFD must be used in half to reimburse the developer (pay-as-you-go) for the shortfall between the anticipated costs of the public infrastructure built and the bonds' net proceeds, and the other half to the City to cover administrative costs, delinquencies for subsequent fiscal years and any other applicable cost pertaining to the CFD.

## **ALTERNATIVES**

The annual Special Tax report is a requirement of the CFD under the Mello-Ross Act and is a receive and file item.

## **ATTACHMENTS**

- A – City of San Luis Obispo Community Facilities District 2019-1 Tax Report
- B – Ordinance No. 1697 (2021 Series)