



## Legislation Text

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**File #:** 18-602, **Version:** 1

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*Report Prepared by: Frank Quintero, Director of Economic Development*

**SUBJECT:** Public Hearing - Resolution Authorizing the City of Merced to Participate in the Statewide Community Infrastructure Program (SCIP) Allowing Property Owners the Ability to Finance Impact Fees

### REPORT IN BRIEF

Considers adopting Resolution 2018-76 allowing the City of Merced to participate in the Statewide Community Infrastructure Program. Also authorizes the California Statewide Communities Development Authority to accept applications from property owners, conduct special assessment proceedings and levy assessments within the territory of the City of Merced and approves a form of acquisition agreement for use when applicable.

### RECOMMENDATION:

**City Council** - Adopt a Motion:

A. Approving **Resolution 2018-76**, a Resolution of the City Council of the City of Merced authorizing the City to join the Statewide Community Infrastructure Program; authorizing the California Statewide Communities Development Authority to accept applications from property owners, conduct special assessment proceedings and levy assessments within the territory of the City of Merced; approving form of acquisition agreement for use when applicable; and authorizing related actions; and,

B. Authorizing the City Manager or Assistant City Manager to execute the necessary documents.

### ALTERNATIVES

1. Approve as recommended by staff; or
2. Approve, subject to conditions as specified by the City Council; or
3. Deny the request; or,
4. Refer back to staff for reconsideration of specific items as requested by the Council; or
5. Defer action until a specified date

### AUTHORITY

Charter of the City of Merced, Section 200

### CITY COUNCIL PRIORITIES

City of Merced FY 18-19 Adopted Budget, Section 7, Economic Development, Objective #5, "Maintain core economic development programs supporting business attraction, expansion, and retention."

## DISCUSSION

The City of Merced desires to participate in the Statewide Community Infrastructure Program (“SCIP”), which is sponsored by the California Statewide Communities Development Authority (“CSCDA”). In order to join the Statewide Community Infrastructure Program (SCIP), the City Council is required to hold a public hearing to take public testimony on SCIP and bonds to be issued by CSCDA, and consideration of a resolution making certain findings and authorizing certain matters necessary to participate in SCIP (ATTACHMENT 1.)

### Background

The California Statewide Communities Development Authority (CSCDA) is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of CSCDA include approximately 391 cities and 56 counties throughout California, including the City of Merced (the “City”).

SCIP was instituted by CSCDA in 2002 to allow owners of property in participating cities and counties to finance the development impact fees that would be payable by property owners upon receiving development entitlements or building permits. The program has since been expanded to include financing of public capital improvements directly. If a property owner chooses to participate, the selected public capital improvements and the development impact fees owed to the City will be financed by the issuance of tax-exempt bonds by CSCDA. CSCDA will impose a special assessment on the owner’s property to repay the portion of the bonds issued to finance the fees paid with respect to the property.

### Impact Fees Payment

With respect to impact fees, the property owner will either pay the impact fees at the time of permit issuance, and will be reimbursed from the SCIP bond proceeds when the SCIP bonds are issued; or the fees will be funded directly from the proceeds of the SCIP bonds. In the former case, the City is required to pay the fees over to SCIP, and in the latter case, SCIP holds the bond proceeds representing the fees. In both cases the fees are subject to requisition by the City *at any time* to make authorized fee expenditures.

However, by holding and investing the money until it is spent, SCIP is able to monitor the investment earnings (which come to the City) for federal tax law arbitrage purposes. SCIP encourages the City to spend those amounts *before* any other fee revenues of the City. If the fees are paid by the property owner and bonds are never issued, the fees are returned to the City by SCIP. In this way, the City is never at risk for the receipt of the impact fees.

### Benefits to the Property Owner include

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- Instead of paying cash for public capital improvements and/or development impact fees, the property owner receives low-cost, long-term tax-exempt financing of those fees, freeing up capital for other purposes.

- The property owner can choose to pay off the special assessments at any time.
- For home buyers, paying for the costs of public infrastructure through a special assessment is superior to having those costs “rolled” into the cost of the home. Although the tax bill is higher, the amount of the mortgage is smaller, making it easier to qualify. Moreover, because the special assessment financing is at tax-exempt rates, it typically comes at lower cost than mortgage rates.
- Owners of smaller projects, both residential and commercial, can have access to tax-exempt financing of infrastructure. Before the inception of SCIP, only projects large enough to justify the formation of an assessment or communities facilities district had access to tax-exempt financing.

The benefits to the City include

- As in conventional assessment financing, the City is not liable to repay the bonds issued by CSCDA or the assessments imposed on the participating properties.
- CSCDA handles all district formation, district administration, bond issuance and bond administration functions. A participating city can provide tax-exempt financing to property owners through SCIP while committing virtually no staff time to administer the program.
- Providing tax-exempt financing helps participating cities and counties cushion the impact of rising public capital improvements costs and development impact fees on property owners.
- The availability of financing will encourage developers to pull permits and pay fees in larger blocks, giving the participating city immediate access to revenues for public infrastructure, rather than receiving a trickle of revenues stretched out over time. As part of the entitlement negotiation process, the possibility of tax-exempt financing of fees can be used to encourage a developer to pay fees up front.
- In some cases, the special assessments on successful projects can be refinanced through refunding bonds. Savings achieved through refinancing will be directed back to the participating city for use on public infrastructure, subject to applicable federal tax limitations.

The proposed resolution authorizes CSCDA to accept applications from owners of property within the City of Merced’s planning jurisdiction to apply for tax-exempt financing of public capital improvements and development impact fees through SCIP. It also authorizes CSCDA to form assessment districts within our City’s boundaries, conduct assessment proceedings and levy assessments against the property of participating owners. The resolution approves the form of an Acquisition Agreement, attached to the resolution as Exhibit B, to be entered into between the City and the participating property owner/developer, if applicable, to provide the terms and conditions under which financing for public capital improvements will be provided and to establish the procedure for disbursement of bond proceeds to pay for completed facilities. It also authorizes miscellaneous related actions and makes certain findings and determinations required by law.

Attached to the resolution as Exhibit A is a “Form of Resolution of Intention to be Adopted by CSCDA” (ATTACHMENT 1). This is for informational purposes and does not require action by this

Council.

### **IMPACT ON CITY RESOURCES**

Participating in the in the SCIP does not require an appropriation of funds from the City. The Program provides an alternative means of funding impact fees besides the City Fee Deferral option.

### **ATTACHMENTS**

1. SCIP Resolution
2. SCIP Manual
3. SCIP Presentation