

## RESOLUTION NO. 2016-048

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE ESTABLISHING GUIDING PRINCIPLES FOR THE LAGUNA RIDGE COMMUNITY FACILITIES DISTRICT (CFD NO. 2005-1)

**WHEREAS**, on June 16, 2004 the City Council adopted the Laguna Ridge Specific Plan; and

**WHEREAS**, on March 8, 2006, the City Council established Community Facilities District (CFD) No. 2005-1 for the Laguna Ridge Specific Plan, which provides a financing mechanism to fund backbone infrastructure and facilities such as roadways, drainage facilities, sewer facilities, landscape corridors, parks, parkways, community recreation and aquatic center, and other facilities within the Specific Plan; and

**WHEREAS**, prior to the formation of the CFD, the City had adopted Resolution 2001-20, approving and adopting Special Assessment and Community Facilities District Financing Program Policies; and

**WHEREAS**, the City Council has adopted Resolution 2013-249 (Policy No. 1500-006) establishing the City's Land Secured Financing Policy; and

**WHEREAS**, as development in the Laguna Ridge area has progressed over the last few years, additional developed properties have begun paying the annual special tax, providing sufficient revenue to leverage for the next bond issuance to occur (planned for the summer of 2016); and

**WHEREAS**, while the Land Secured Financing Policy provides for sound fiscal management of tax revenues and municipal bonds, it does not provide the details necessary to ensure the sufficient allocation of funds within the CFD; and

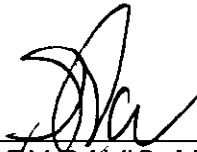
**WHEREAS**, the City desires to establish a strategy, or guiding principles, for how the Laguna Ridge CFD bond proceeds will be made available to cover both municipal (City-led) projects and reimburse for developer-led infrastructure within Laguna Ridge, whether physical improvements or reimbursement of impact fees;

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Elk Grove hereby finds the Laguna Ridge Community Facilities District Guiding Principles exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code Section 21065 and State CEQA Guidelines sections 15060(c)(2), (3); 15061(b)(3); 15378(a), (b)(4) because the Guidelines provide a conceptual process for allocating CFD funds to complete the buildout of the Laguna Ridge Specific Plan, which was considered and adequately analyzed under the Laguna Ridge Specific Plan Environmental Impact Report (EIR) (SCH Number 2000082139). No special circumstances exist and no changes in the projects have occurred that would necessitate the preparation of subsequent environmental review. No additional environmental impacts have been identified for these improvements other than those previously disclosed and analyzed in the EIR. The improvements are subject to the Laguna Ridge Mitigation Monitoring and Reporting Program. Further, this specific

action does not constitute the approval of a project under CEQA, but is rather a funding mechanism, and therefore is not subject to CEQA review.

**AND, BE IT FURTHER RESOLVED**, that the City Council of the City of Elk Grove hereby adopts the Laguna Ridge Community Facilities District Guiding Principles attached as Exhibit A and incorporated herein by this reference.

**PASSED AND ADOPTED** by the City Council of the City of Elk Grove this 9<sup>th</sup> day of March 2016.



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GARY DAVIS, MAYOR of the  
CITY OF ELK GROVE

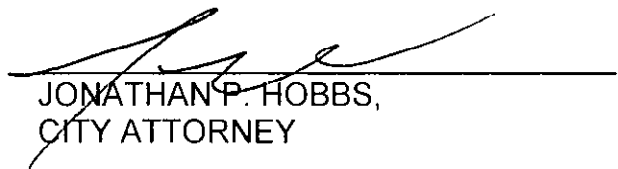
ATTEST:



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JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:



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JONATHAN P. HOBBS,  
CITY ATTORNEY

## **Laguna Ridge Community Facilities District Guiding Principles**

### **A. Introduction to the Laguna Ridge Community Facilities District**

In 2006, the City Council established Community Facilities District (CFD) No. 2005-1 for the Laguna Ridge Specific Plan Area. One purpose of the CFD is to “fund backbone infrastructure and facilities such as roadways, drainage facilities, sewer facilities, landscape corridors, parks, parkways, community recreation and aquatic center, and other facilities.

### **B. History of the District**

The first round of bond indebtedness was issued in 2007 (referred to in various ways including the Series A Bonds, the 2007 Proceeds, or the 1<sup>st</sup> Bond Issuance). These funds were used to finance or reimburse developers for infrastructure obligated and delivered with the first phases of the Laguna Ridge area, including portions of Big Horn Boulevard, Whitelock Parkway, the Shed B (Franklin Creek) drainage channel improvements, and other facilities. A portion of the bond funds were also reserved by the City for the Civic Center project. Use of these funds was outlined in the Financing Plan for Laguna Ridge in 2005. Properties covered in the Series A Bonds were fully reimbursed for delivered infrastructure, whether through the CFD or through fee credits or fee reimbursements.

### **C. Need for Guiding Principles**

The City’s Special Assessment and Community Facilities District Financing Program Policies of 2001, under which the Laguna Ridge CFD was considered, identify the eligible facilities for funding from any new CFD. Specifically, the document states that “the priority for the financing of infrastructure and public facilities will be determined at the sole discretion of the City” and that the “City has final determination as to any facility’s eligibility for financing, as well as the prioritization of facilities to be included within a district financing.” The policy goes on to state that the City “shall have final determination as to whether and to what extent it will allow the financing of public facilities through acquisition.” (2001 Policy §§ 7, p. 9 )

In December 2013, the City Council adopted the Land Secured Financing Policy. In addition to documenting the process for formation of new CFDs and Assessment Districts and the issuance of debt for those districts, the Policy also identifies what types of improvements and facilities are eligible for funding. Specifically, the Policy states:

*The City will only acquire facilities through acquisition district agreements that have not previously been accepted by the City and will not reimburse amounts reimbursed through another source, i.e., impact fees. The City will only reimburse through acquisition agreements the new amount of eligible and approved costs less reimbursement through other public financing sources, including but not limited to the City’s own development*

*impact fee programs and other local agency impact fee programs, and State or Federal grants.*

While both the 2001 and 2013 Policies provide for sound fiscal management of tax revenues and municipal bonds, they do not provide the details necessary to ensure the sufficient allocation of funds within specific CFDs, such as Laguna Ridge. Therefore, the City desires to establish a strategy, or guiding principles, for how the Laguna Ridge CFD bond proceeds will be made available to cover both municipal (City-led) projects and reimburse for developer-led infrastructure within Laguna Ridge, whether physical improvements or reimbursement of impact fees.

#### **D. Applicability of Guiding Principles**

These Guiding Principles shall only apply to development that was not reimbursed from the Series A Bonds. Properties covered in the Series A Bonds were fully reimbursed for delivered infrastructure, whether through the CFD or through fee credits or fee reimbursements.

#### **E. General Priorities for the Community Facilities District**

Consistent with the formation documents for the District, the City has established the following priorities for the Laguna Ridge Community Facilities District:

1. Funding for City-led roadway and sewer infrastructure delivery, including extension of Bilby Road and Big Horn Boulevard (and accompanying underground utilities) and construction of the Laguna Ridge South Sewer Lift Station referred to as New Growth Area (NGA) projects..
2. Civic Center projects up to a total of \$25 million between all bond issuances
- 3a. Unfunded or partially funded infrastructure benefiting Laguna Ridge, including, but not limited to, Kammerer Road and Reardan Park as determined by the City.
- 3b. Funds available to reimburse developers for CFD-eligible expenses including infrastructure and City development impact fees on a proportional basis according to the number of units developed or designated developed for each bond issuance.

#### **F. Concept Process for Providing Reimbursements or Fee Credits/Reimbursement for Qualifying Developer-Delivered Infrastructure**

The City intends to follow the general conceptual process and prioritization outlined below (and illustrated in Attachments 1 and 2) for allocating funds from future Laguna Ridge CFD bond net proceeds. This process is in addition to and shall not supersede any existing or future City policies or regulation regarding how reimbursements through cash or credits for eligible infrastructure are determined or assigned. All developer reimbursements will require the execution of an acquisition agreement with the City.

## 2<sup>nd</sup> (2016) Bond Issuance

1. Payment under the existing JJV Acquisition Agreement (Resolution 2011-263).
2. Developer reimbursement for actual eligible improvements delivered prior to issuance and not otherwise reimbursed (estimated at approximately \$2 million).
3. City funding for construction of NGA projects described above (Big Horn, Bilby, and Sewer Lift). A portion of these funds will be reimbursed to the CFD from corresponding impact fee payments, for impact fee eligible improvements. Improvements not reimbursable from an impact fee program (CFD direct spend) will reduce benefiting property owner's eligible reimbursement amount by cost of the improvements.
4. Funding up to \$10 million for Civic Center improvements as discussed at the January 13, 2016 City Council meeting.
5. Remaining proceeds will be available on a not-to-exceed basis factored on units in the corresponding Final Map towards City Impact Fee reimbursement(s). Developer funding priority will be determined based on earliest fees paid up to a not-to-exceed maximum combined with infrastructure reimbursed.

## Future Bond Issuances (Beyond 2016)

1. Any remaining developer reimbursement not fully funded from the prior issuance for infrastructure installed or City Impact fees paid as documented in an acquisition agreement reserving its place for prioritization of payment up to 67% of net proceeds.
2. The City will reserve funds from future bond proceeds to apply towards municipal infrastructure projects identified in the bond documents (e.g. Civic Center, Kammerer, Reardon Park) up to 33% of net proceeds.
3. Reimbursement for infrastructure installed not part of a prior acquisition agreement. Infrastructure reimbursement would be prioritized based upon date of construction.
4. Reimbursement of impact fees paid prioritized based on date of payment.
5. Prepayment of impact fees prioritized based on date of building permit application.
6. In no way shall any developer receive more than the value of cost of the infrastructure installed, whichever is less, and/or actual City impact fees paid or City impact fees due as prepayment for their bond issuance series up to a no-to-exceed amount.

### **G. Conceptual Allocation of Bond Proceeds Relative to Identified CFD Priorities**

Based upon an analysis of the gross bond proceeds available in Series B and later, anticipated issuance costs and reserves, and existing liabilities, the City estimates that the net bond proceeds will be available as follows:

| Description                                    | Funds <sup>1</sup>         | Percent of Net Proceeds |
|--|----------------------------|-------------------------|
| Gross Bond Proceeds, Series B and later        | \$140,000,000 <sup>2</sup> |                         |
| Less Issuance Costs and Reserves               | \$21,000,000               |                         |
| Less JJV Agreement                             | \$4,150,000                |                         |
| <b>Net Bond Proceeds</b>                       | <b>114,850,000</b>         | 100%                    |
| Less City-Led Projects                         | \$38,283,000               | 33%                     |
| Developer-Led Infrastructure (Remaining Funds) | \$76,566,667               | 67%                     |

Note: Amounts shown are used for illustrative purposes only. Actual amounts will vary from estimates.

**City led projects-** 33% of net proceeds would be available to fund City-led project, including but not limited to Civic Center, and other unfunded or partially funded infrastructure benefiting Laguna Ridge, including but not limited to Kammerer Road and Reardan Park. NGA projects do not count towards City allocation as the improvements are either reimbursable from future impact fees or are included in developer-led infrastructure allocation below.

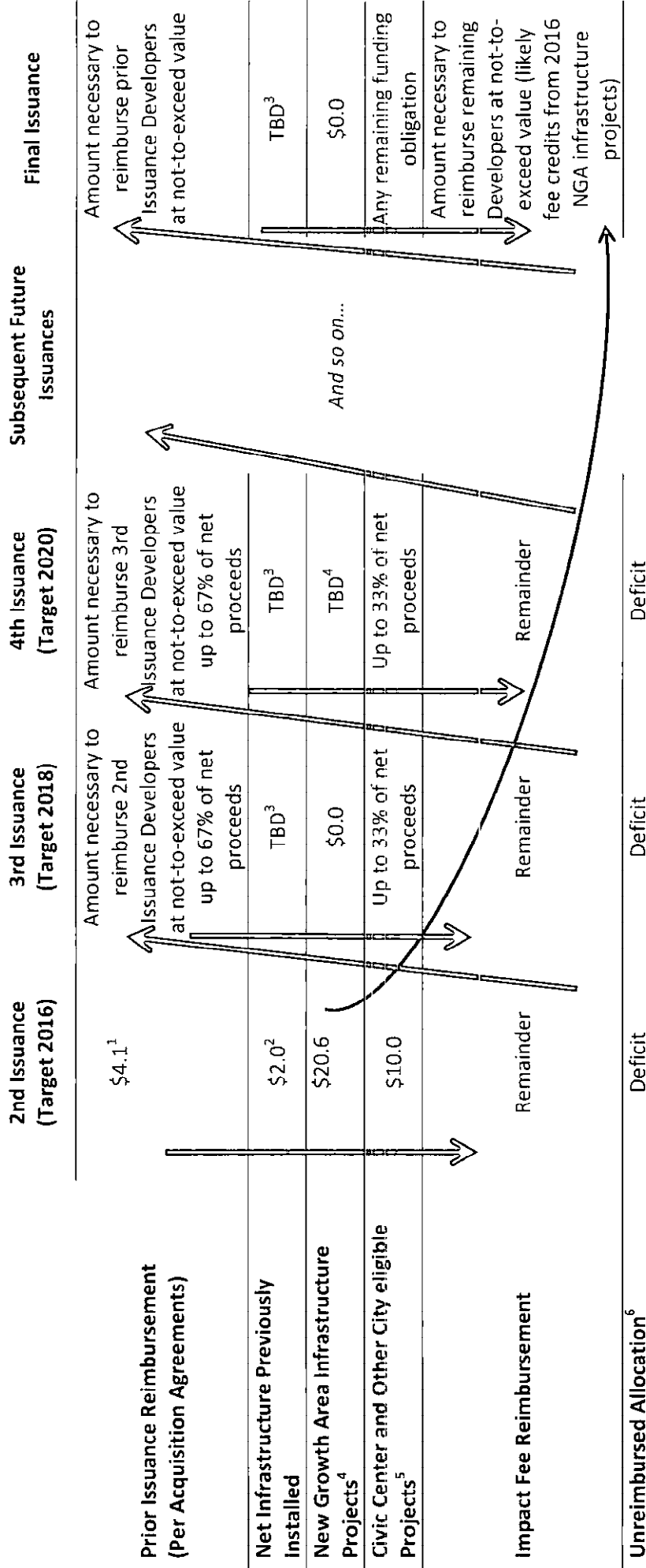
**Developer-led infrastructure-** 67% of net proceeds would be available for developer-led infrastructure, including facility reimbursement through cash reimbursement and/or City impact fee credit as described in section F above. This includes NGA improvements completed by the City that would otherwise be the responsibility of adjoining property owners. Such improvements will reduce the eligible reimbursement amount of benefiting property owners.

The not-to-exceed developer reimbursement amount on a per-unit basis will be determined by dividing the developer-led infrastructure (Remaining Funds) amount by the number of taxing unit equivalents in each bond issuance as determined in the CFD 2005-1 Rate and Method of Apportionment page B-8 Table 1. This calculation is described in Attachment 3 (Proposed Methodology for Calculating Each Developer's Not to Exceed Reimbursement Amount).

# ATTACHMENT 1

## Concept Process for Providing Reimbursements or Fee Credits/Reimbursement for Qualifying Developer-Delivered Infrastructure

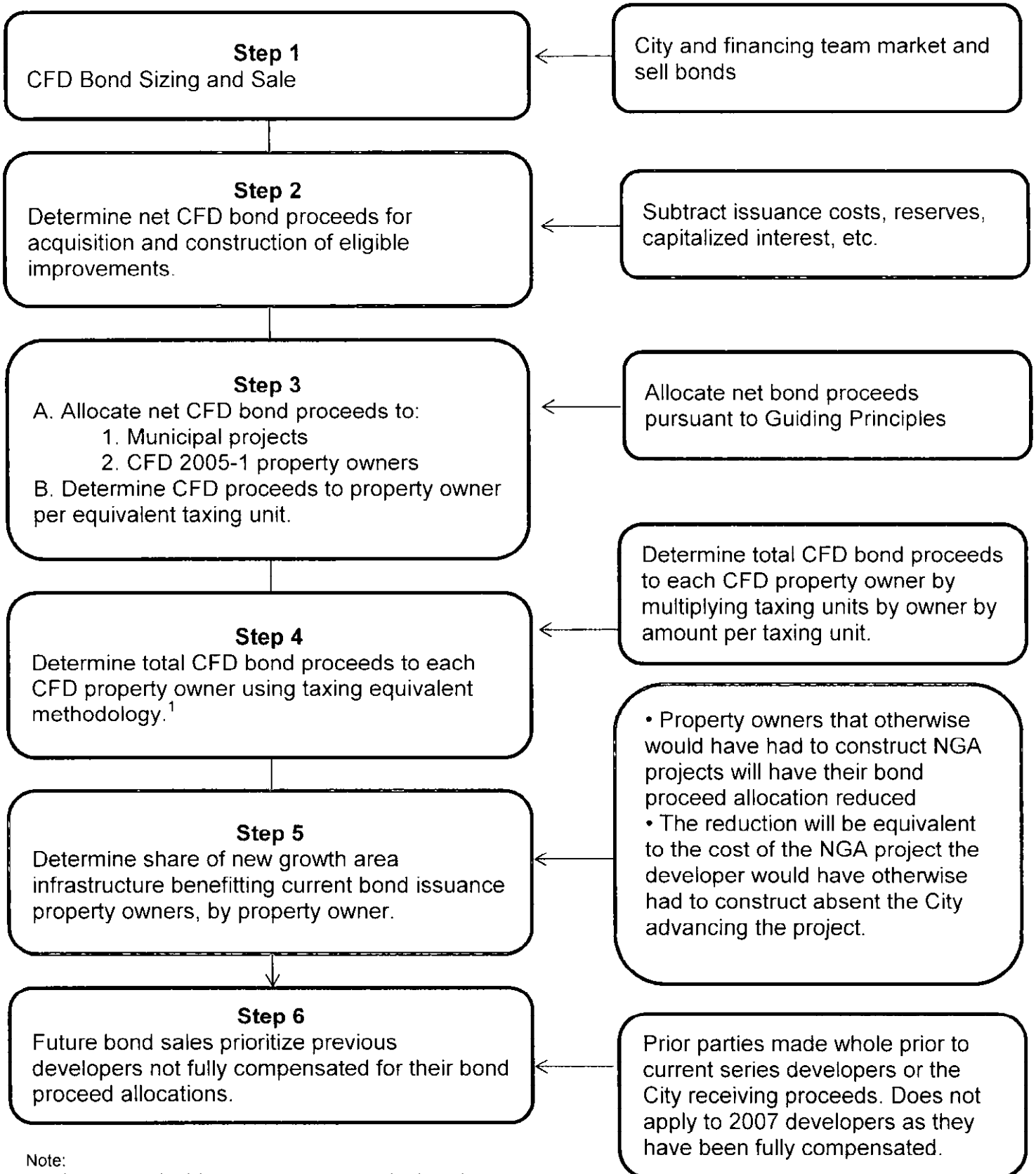
*All values in Millions*



**Notes:**

1. Other than the JVV Agreement, all prior development has been fully reimbursed.
2. Placeholder value until documentation is provided and validated by the City.
3. Dependent on actual infrastructure delivered from now until issuance and on developer selection of infrastructure or impact fee reimbursement.
4. Amounts returning from New Growth Area (NGA) investment loan will be used to advance further City projects.
5. City must develop tracking mechanism to ensure reimbursement commitments to developers will be available. No cap on City share, subject to availability of reimbursement funds and available eligible facilities per the Hearing Report. 6. The unreimbursed allocation, if any, equals the difference between the total amount allocated to each property owner and the amount actually received from the current bond issuance. As shown, any remaining unreimbursed allocation will have the first priority for bond proceeds in subsequent series.

**ATTACHMENT 2**  
**Steps to Allocate CFD Bond Proceeds with Each Bond Sale**



Note:

1. Amount received by property owner may be less than the total allocated because of a temporary loan to the City. See Step 6 for more specifics.



**ATTACHMENT 3**  
**Proposed Methodology for Calculating Each Developer's**  
**Not to Exceed Reimbursement Amount**

*Note: All values shown for illustrative purposes only and do not reflect an actual calculation.*

**Step 1:** Determine Taxing Unit Equivalents for the current issuance. All eligible properties for the current issuance will have their unit counts summed and entered into column B by the appropriate Zoning Designation. This step can be completed prior to the bond issuance.

| <b>Variable<br/>Zoning Designation</b>            | <b>A<br/>Taxing Unit</b> | <b>B<br/># of Units [2]</b> | <b>C = A * B<br/>Taxing Unit Equivalents</b> |
|---|--------------------------|-----------------------------|--|
| Age- Restricted Housing                           | 0.67                     | 1                           | 0.67   |
| Single Family Property Densities less than RD8    | 1.00                     | 1                           | 1.00   |
| Single Family Property Densities RD8 through RD14 | 0.80                     | 1                           | 0.80   |
| Single Family Property Densities RD15 and above   | 0.67                     | 1                           | 0.67   |
| For Sale Multi- Family Property                   | 0.67                     | 1                           | 0.67   |
| Rental Multi- Family Property                     | 3.33                     | 1                           | 3.33   |
| Non-Residential Property                          | 3.33                     | 1                           | 3.33   |
| Tentative Map Property                            | 4.93                     | 1                           | 4.93   |
| Undeveloped Property                              | 3.33                     | 1                           | 3.33   |
| <b>D = Total Taxing Unit</b>                      |                          |                             | <b>18.73</b>                                 |

- [1] Refer to the CFD 2005-1 Rate and Method of Apportionment page B-8 Table 1. Taxing Unit Equivalent is calculated as each Zoning Designation's Annual Facilities Special Tax FY 2006/07 divided by the Single Family Property Densities less than RD3 Annual Facilities Special Tax FY 2006/07.
- [2] Includes new final maps recorded after the cutoff for inclusion in the previous issuance and/or any designated developed properties for the current issuance. Properties for which a previous acquisition agreement exists are excluded from this total.

**Step 2:** Determine Net bond proceeds. This cannot be finalized until after the bonds have been sold. Note values included are hypothetical for illustration purposes only.

| <b>Variable</b>              | <b>Description</b>                   | <b>Amount</b>    | <b>Notes</b>  |
|------------------------------|--------------------------------------|------------------|---|
| E                            | Gross Proceeds                       | \$1,000,000      | This equals total par amount plus any premium or less any discount on the bonds. Values taken from bond closing statement |
| F                            | Less: Debt Service Reserve Fund      | \$200,000        | Values taken from bond closing statement  |
| G                            | Less: Cost of Issuance               | \$200,000        | Values taken from bond closing statement  |
| H                            | Less: Underwriter's Discount         | \$70,000         | Values taken from bond closing statement  |
| I                            | Less: Other existing obligations [3] | -                | City input (see footnote 3)   |
| <b>J = E - F - G - H - I</b> | <b>Net Bond Proceeds</b>             | <b>\$530,000</b> |   |

- [3] Note the only item in this category is the JJV Acquisition Agreement dated December 14, 2011 (City Contract C-11-450). This agreement should be satisfied in full with the 2016 bond issuance. Future issuances will not need to factor this category.

**Step 3:** Determine City Share and Total Developer Share. Note values included are hypothetical for illustration purposes only.

| Variable         | Description                             | Amount           |
|------------------|---|------------------|
| J                | Net Bond Proceeds                       | \$530,000        |
| K                | City Share %                            | 33.33%           |
| L                | Developer Share %                       | 66.67%           |
|                  |   |                  |
| <b>M = J * K</b> | <b>City Share in Dollars</b>            | <b>\$176,667</b> |
| <b>N = J * L</b> | <b>Total Developer Share in Dollars</b> | <b>\$353,333</b> |

**Step 4:** Determine current bond series Developer share per Taxing Unit Equivalent in dollars

| Variable         | Description                                   | Amount          |
|------------------|---|-----------------|
| M                | Total Developer Share in Dollars              | \$353,333       |
| C                | Total Taxing Unit Equivalents                 | 18.73           |
|                  |   |                 |
| <b>O = M / C</b> | <b>Dollars per Taxing Unit Equivalent [4]</b> | <b>\$18,861</b> |

[4] Note this value is specific to the current series only and does not apply to future or past developers or bond issuances.

**Step 5:** Determine each developer's not to exceed reimbursement amount. The example assumes only one development.

| Variable  | Description   | Amount    |
|---|---|-----------|
| O   | Dollars per Taxing Unit Equivalent [4]  | \$18,861  |
| P <sub>1</sub> , P <sub>2</sub> , P <sub>3</sub> ,...   | Developer P <sub>1</sub> , P <sub>2</sub> , P <sub>3</sub> ,... Taxing Unit Equivalents [5]             | 18.73     |
| Q <sub>1</sub> = P <sub>1</sub> * O<br>Q <sub>2</sub> = P <sub>2</sub> * O<br>Q <sub>3</sub> = P <sub>3</sub> * O | Developer P <sub>1</sub> , P <sub>2</sub> , P <sub>3</sub> , ... Not to Exceed Reimbursement Amount [5] | \$353,333 |

[5] Note values will vary by developer depending on unit types and number of units. P<sub>1</sub> represents Developer 1's Taxing Unit Equivalents and Q<sub>1</sub> represents Developer 1's Not to Exceed Reimbursement Amount.

**CERTIFICATION  
ELK GROVE CITY COUNCIL RESOLUTION NO. 2016-048**

STATE OF CALIFORNIA        )  
COUNTY OF SACRAMENTO    )       ss  
CITY OF ELK GROVE         )

***I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on March 9, 2016 by the following vote:***

**AYES :**       **COUNCILMEMBERS:**       *Davis, Ly, Detrick, Hume, Suen*

**NOES:**       **COUNCILMEMBERS:**       *None*

**ABSTAIN :**   **COUNCILMEMBERS:**       *None*

**ABSENT:**    **COUNCILMEMBERS:**       *None*

  
\_\_\_\_\_  
**Jason Lindgren, City Clerk  
City of Elk Grove, California**