

PRESENTATION TO



CITY OF

Richmond CALIFORNIA

*FORMATION OF A CFD FOR PT. MOLATE: KEY POLICY QUESTIONS
AND UPDATE ON THE FORMATION PROCESS*

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Presentation Outline

- ▶ Addressing Major Policy Questions from the Council at the November 23rd meeting
- ▶ The Integra Valuation Study
- ▶ Potential implications of the Integra Valuation Study for the CFD
- ▶ Negotiating Points with SunCal
- ▶ Proposed Schedule

Addressing Major Policy Questions from the Council at the November 23rd Meeting

- ▶ The Council posed key policy questions regarding the potential Pt. Molate CFD at the November 23rd meeting
 - ▶ What impact will the proximity of the project to Chevron have on the price of the proposed for-sale units in Pt. Molate?
 - ▶ What impact will the proposed combined tax rates, including the CFD taxes, have on the price of the proposed for-sale units in Pt. Molate?
 - ▶ Is there a market for units in Pt. Molate at the sales prices proposed in the financing plan in the DDA?
 - ▶ Are the assumptions behind the fiscal impact study done at the time of the DDA, particularly for police and fire, still correct?

The Integra Study

- ▶ The City retained Integra Realty Resources to prepare estimates of the sales prices for both the for-sale units and the rental units in Pt. Molate
 - ▶ Giving effect to the proximity to Chevron
 - ▶ Giving effect to the 2% of assessed valuation combined tax rate
 - ▶ Giving effect to the potential market demand in the Bay Area for such units
- ▶ Integra is a national firm with extensive experience in appraisal and valuation work for land secured bond issues, including California CFD's

Comparison of Estimated Home Sales Prices Between the DDA and Integra

Product Type	Single Family Homes (\$)	Low Rise Townhomes (\$)	Mid-Rise Condominiums (\$)
Financing Plan in DDA	1,400,000	1,175,000	1,250,000
Integra Valuation Study	2,000,000	1,440,000	1,485,000

- ▶ Despite proximity to Chevron and higher than average combined taxes, Integra estimates sales prices higher than those used in the financing plan in the DDA
- ▶ Integra analyzed comparable home sales data for homes located near the Shell refinery in Martinez, the Phillips 66 refinery in Rodeo and the Chevron refinery in Richmond
- ▶ Integra estimated that the likely sales prices for homes in Pt. Molate would be affordable for 17% of households currently living within a 7-mile radius of Pt. Molate

Potential “Surplus” Tax Revenues

DDA Estimate of Annual Debt Service Needed for CFD Bonds	\$7,057,500
DDA Estimate of Annual Taxes Needed for Infrastructure Maintenance	\$1,076,434
Total CFD Taxes Needed	\$8,133,934
Estimated Annual Taxes Based on Integra Study	\$10,200,000
Potential Surplus	\$2,066,066

- ▶ The higher homes prices in the Integra Study may result in more annual CFD taxes than projected in the financing plan in the DDA

Options for Allocating the “Surplus”

- ▶ Cover interim operating costs for the new police and fire station prior to Pt. Molate build out
- ▶ Cover more infrastructure maintenance costs within Pt. Molate
- ▶ Cover more eligible City service costs (in addition to projected positive fiscal impact)
- ▶ Fund additional infrastructure for SunCal in Pt. Molate

Caveats on the "Surplus"

- ▶ What happens if the actual assessed valuations are less than the estimated sales prices at the time of CFD formation?
- ▶ Without mitigation for this risk, future homeowners in Pt. Molate could be paying in excess of 2% of their assessed valuation in combined taxes
- ▶ This risk can be mitigated by mandating an adjustment in the maximum tax rate per home at the time each new subdivision is final mapped
 - ▶ Commonly used technique now for CFD's throughout California
 - ▶ But.....it means that the projected "surplus" may not actually take place if there is a major long-term correction in the Bay Area real estate market

Key Negotiating Points with SunCal

- ▶ Two key negotiating points:
 - ▶ Allocation of the potential "surplus" CFD tax revenue from Pt. Molate
 - ▶ In particular, mitigation of risk of negative fiscal impact from operational costs of police and fire station prior to build out
 - ▶ Prioritization and sequencing of the capital projects for Pt. Molate, including the police and fire station

Key Legal Documents for Resolving the Negotiating Points

- ▶ The Rate and Method of Apportionment
 - ▶ Specifies apportionment of CFD taxes by purpose and land use
 - ▶ Specifies maximum tax rates for all taxable parcels
 - ▶ Mitigates risk of levies over 2% of assessed valuation
- ▶ The Acquisition Agreement
 - ▶ Specifies prioritization and sequencing for all projects funded by the CFD
- ▶ Goals and Policies Statement
 - ▶ Sets forth long term City goals and policies for land secured financing (like CFD's)
 - ▶ Will Incorporate by reference key Pt. Molate CFD features specified in the DDA

Forming a CFD for Pt. Molate

- ▶ City approves CFD Goals and Policies regarding issuance of special tax bonds that include criteria for evaluating projects to be financed and procedures for ensuring that taxpayers in the CFD are informed of their obligation under the Mello-Roos Act
- ▶ Initiation of Formation Proceedings
 - ▶ Formation of the CFD must be initiated by City Council or by petition signed by property owners
 - ▶ But first, the City Council receives a full presentation on all matters addressed by the Resolution of Intention: the boundaries of the CFD, the projects and services to be funded, the special tax formula, and the proposed voting procedures
 - ▶ City Council then votes to adopt Resolution of Intention
- ▶ Public Hearing and Notice
 - ▶ A Public Hearing must be held 30-60 days after the Resolution of Intention is approved by City Council
 - ▶ A full presentation to City Council on the tax structure, authorized facilities and services and mandates for construction of facilities or delivery of services
 - ▶ A vote to *initiate* the formation of a CFD can be held the same day as the presentation if eligible voter turnout is less than 12. This vote is the 1st of two votes *required* to form a CFD
 - ▶ CFD formation proceedings can be discontinued for one year if 50% of eligible voters in the proposed CFD protest the formation of the CFD
- ▶ Resolution of Formation
 - ▶ The City Council then adopts a Resolution of Formation (ROF) that formally creates the CFD

CFD Formation Schedule

- ▶ Potential approval of Resolution of Intent on February 15th
- ▶ Potential approval of Resolution of Formation, landowner election (City is landowner voter), and Acquisition Agreement on March 22nd
- ▶ CFD is formed on March 22nd
- ▶ March 22nd is before the deadlines identified in the DDA and the Federal District Court judgment