



City of Rialto

Legislation Text

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For City Council Meeting [February 12, 2019]

TO: Honorable Mayor and City Council

APPROVAL: Sean Grayson, Interim City Administrator

FROM: Jessica Brown, Finance Director

Request City Council to: (1) Adopt **Resolution No. 7462** Stating Intention to Annex Certain Territory to CFD 2016-1 and Setting February 12, 2019 for a Public Hearing to Consider Said Annexation, and (2) Conduct a Public Hearing and then, following the Closing of Public Hearing (3) Adopt **Resolution No. 7463** Authorizing the Annexation of Territory to Community Facilities District No. 2016-1 (Public Services) (Annexation No. 2), Authorizing the Levy of a Special Tax, and Submitting the Levy of Tax to the Qualified Electors; and (4) Adopt **Resolution No. 7464**, Calling a Special Election and Submitting to the Voters of Annexation No. 2 of City of Rialto Community Facilities District No. 2016-1 (Public Services) Propositions Regarding the Annual Levy of Special Taxes within Annexation No. 2 to Finance Public Services, and the Establishment of an Appropriations Limit; (5) Following Adoption of Resolutions above, Hold Election by Opening Ballots; (6) Following Election, if more than 2/3 of landowners vote in favor, Adopt **Resolution No. 7465**, Making Certain Findings, Certifying the Results of an Election and Adding Property to Community Facilities District No. 2016-1 (Public Services), Annexation No. 2.

(ACTION)

BACKGROUND:

The City requires new residential developments to prepare a fiscal impact report to identify the revenues and expenses associated with the City's public service obligations to that residential development. Generally, new residential development does not generate sufficient direct and indirect revenue to support the City's public service costs at the current service level standard. Consequently, the City Council adopted a policy that requires all new development to mitigate the financial impacts upon the City by payment of mitigation fees.

The Mello-Roos Community Facilities Act of 1982 ("Act") being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California was created to provide an alternate method of financing for needed improvements and services. The Act allows the City Council to establish a Community Facilities District (CFD) that provides for financing of public improvements and services.

On September 27, 2016, the City Council approved Resolution No. 7003, a Resolution of Intention to Establish Community Facilities District 2016-1 ("CFD 2016-1"). On November 22, 2016 by Resolution No. 7031, the City Council established CFD 2016-1, a Mello-Roos Community Facilities District with the intention that future development within the City of Rialto (the "City") would annex into this district. The City conditions new development to annex into CFD 2016-1 to fund increase in police protection services, fire protection and suppression services, ambulance and paramedic

services, park maintenance and other public services within the City.

On November 13, 2018, the City Council adopted the boundary map showing the territory proposed for annexation (identified as Annexation No. 2), and declared its intention to authorize the annexation of that territory to Community Facilities District (CFD) No. 2016-1 (Public Services) after a public hearing scheduled for January 8, 2019. On January 8, 2019, the City Council conducted a public hearing to annex the Etiwanda Homes Project by 642 N. Linden LLC (“Developer”) into Community Facilities District 2016-1 to mitigate the fiscal impacts of this 8 unit subdivision upon the City General Fund. When the City Clerk tallied the ballots, the property owner voted against annexation into the District.

The City required the Developer to annex into the District as a condition of project approval. Consequently, the City cannot grant certificates of occupancy for the completed project. When contacted, the Developer stated that he erroneously submitted a negative vote on annexing to the District, and requested opportunity to reconsider. Staff consulted with legal counsel and advised the Developer to complete the following steps:

1. Receive from Developer a “Petition to Annex Real Property to City of Rialto Community Facilities District No. 2016-1 (Public Services) And Consent And Waiver With Respect To Certain Related Matters. The property owner (a) consents to annexation into the CFD, (b) confirms that it is the 100% property owner, (3) waives all proceedings for annexation including time periods, etc., notice of election, form of election, form of ballot, any time periods (and anything else they waived in their initial waiver) and requesting all proceedings happen on the same date (i.e. resolution of intention to annex, hearing and election) and (4) requests the proceedings, hearing and election be held on January 29, 2019, or such later time as the matter may be heard.
2. Since the Developer scheduled closings prior to the new hearing, then the new property owners will also need to sign the Petition and submit a ballot.

The executed Petitions from the Developer and the current homeowner(s) are attached hereto as **Exhibit A**.

The foregoing Resolutions, hearing, and election will allow the property owners to take all proceedings for annexation of its property by the City Council on one date.

ANALYSIS/DISCUSSION:

The Project

The Etiwanda Homes Project (the “Project”) proposed for annexation is under construction by 642 N. Linden LLC and is located on the west side of Linden Avenue, approximately 950 feet south of Etiwanda Avenue. The site includes the development of 8 new Single-Family Residential units. The annexation consists of approximately 2.39 gross acres and is within the boundaries of assessor’s parcel number 0243-151-07 as depicted on Exhibit A of Resolution of Intention.

As part of the annexation process, the City contracts with Willdan Financial Services for the preparation of the necessary resolutions and balloting procedures for the annexation.

Resolution of Intention

The Resolution of Intention is the first step in the process of annexing new developments into CFD 2016-1. This will be the second annexation into the district. The Resolution set January 8, 2019 as the Public Hearing date for final consideration of the annexation of the property into CFD 2016-1. Once the annexation is complete, the property owners of the Project will pay annual special taxes for CFD 2016-1, beginning in Fiscal Year (FY) 2019/2020 as itemized on their property tax bill in accordance with the rate set forth in the Rate and Method of Apportionment (RMA) of Special Tax. Table 1 of Exhibit B of the Resolution of Intention displays the current rates for CFD 2016-1.

Rate and Method of Apportionment

The Rate and Method of Apportionment (RMA) identifies how the City will annually apportion the special tax to the individual units. The City will apportion the special tax by unit. The RMA sets the maximum base rate at \$288 per unit for Single-Family Residential (SFR) and \$216 per unit for Multi-Family Residential (MFR) with an escalator equal to the lesser of three percent (3.00%) or the Consumer Price Index (CPI) to accommodate future increase in costs. The current rates for Fiscal Year 2018/2019 are \$296.64 per unit for SFR and \$222.48 per unit for MFR.

The attached resolution will complete the proceedings for the annexation of the project known as Etiwanda Homes (the "Project") into Community Facilities District 2016-1 ("CFD 2016-1"). The conditions of approval for this Project require it to annex into CFD 2016-1, -- the City established CFD 2016-1 so that projects could annex into the district to provide funding to offset the increased cost for public services created by new development.

ENVIRONMENTAL IMPACT:

Not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

This action is consistent with Guiding Principle 3A in the General Plan:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW:

The City Attorney has reviewed and approved this staff report.

FINANCIAL IMPACT:

Operating Budget Impact

The total annual financial impact associated with the approval of this item is \$2,373.12 in special tax revenue. The City will add the CFD special tax of \$296.64 per unit for the 8 SFR properties to the property tax rolls for payment by each homeowner. The City will deposit the annual levies into the General Fund, and the City Council may then budget public service enhancements. The developer pays for the costs associated with the annexation.

Capital Improvement Budget Impact

The annexation has no impact to the capital improvement budget

Business Licensing

There is no business license required because of this action.

RECOMMENDATION:

Staff recommends that the City Council:

1. Adopt Resolution No. _____ Stating Intention to Annex Certain Territory to CFD 2016-1 and Calling for a Public Hearing on February 12, 2019 (**Exhibit B**); then

2. Conduct a Public Hearing for Annexation No. 2 to CFD 2016-1 and, following Closing of Public Hearing:
 - Adopt a Resolution Authorizing the Annexation of Territory to CFD 2016-1 (**Exhibit C**); and
 - Adopt a Resolution Calling a CFD Special Election (**Exhibit D**); and
 - Conduct a CFD Special Election, then Open and Count Ballots; and
 - Adopt a Resolution Certifying Special Election Results (**Exhibit E**).