

**CITY OF LODI  
INFORMAL INFORMATIONAL MEETING  
"SHIRTSLEEVE" SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, DECEMBER 12, 2006**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, December 12, 2006, commencing at 7:00 a.m.

**A. ROLL CALL**

Present: Council Members – Katzakian, Mounce, and Mayor Johnson

Absent: Council Members – Hansen and Hitchcock

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

**B. TOPIC(S)**

B-1 "Discussion of the Goals and Policies Relative to the Formation of a Community Facilities District for the Financing of City Services"

City Manager King briefly introduced the subject matter related to utilizing a community facilities district (CFD) for the funding of public services. Mr. King reviewed the matter as it relates to various developments in the City and introduced bond counsel, Constantine Baranoff with Kronick Moskowitz Tiedemann & Girard. Mr. King provided an overview of the current CFDs in place for surrounding cities.

City Manager King provided a presentation regarding the goals and policies relative to the formation of a CFD for the financing of City services. Topics of discussion included, but were not limited to, services to be funded, boundaries, an annual special tax, increases in the maximum CFD tax, triggers for a tax, local goals and policies, and the steps associated with utilizing a Mello-Roos CFD to fund public services. Mr. Baranoff stated the resolution of intention would involve adopting the local goals and policies, rate, and boundaries at the same time.

Mayor Johnson asked where the difficulties would lie if the developers have agreed. Mr. King stated the issues, if any, would lie with the paperwork not being complete, which would prevent the property owners from finishing their contractual obligations.

City Manager King asked the Council to consider affordable housing options as they relate to a CFD.

Mayor Pro Tempore Mounce inquired about deed restrictions on affordable housing. Mr. King stated mostly they require that housing remain affordable for a specific period of time, which may be set by the nature of the funding. He also stated the City does not have inclusionary housing.

Mayor Johnson stated the sensitivity may come with trigger implementation and he is leaning toward the final certificate of occupancy. Mr. Johnson inquired about timing with current projects. Mr. King stated the current development agreements include two-year maintenance obligations and many communities implement the CFD when building permits are issued for the ease of administration.

Mr. Baranoff stated typically the tax becomes effective when building permits are issued. He stated the formula requires a specific date to prepare the tax roll for the current and following years.

Mayor Johnson inquired about all inclusive funding versus specific funding. Mr. King stated the first threshold is that new development requires new services and a CFD provides more flexibility for new residents to pay for their new services.

Mayor Johnson asked if the funding is over and above impact fees, and Mr. King replied in the affirmative. Mr. King stated the CFD is intended to be an annual tax to pay for annual expenses; although, some cities have done it as a one-time mechanism.

Mayor Johnson inquired about the timing for bringing the matter back to Council. Mr. King stated it would likely be in January or February.

**C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS**

None.

**D. ADJOURNMENT**

No action was taken by the City Council. The meeting was adjourned at 7:34 a.m.

ATTEST:

Randi Johl  
City Clerk



TM

## CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Discussion of the Goals and Policies relative to the Formation of a Community Facilities District for the Financing of City Services

MEETING DATE: December 12, 2006 (Shirtsleeve Session)

PREPARED BY Public Works Director

RECOMMENDED ACTION: Discuss goals and policies relative to the formation of a Community Facilities District for the funding of City services.

BACKGROUND INFORMATION: The City Council has recently approved new development projects and Development Agreements that require the formation of Community Facilities Districts (CFD) for the funding of public services. The approved projects are Reynolds Ranch and Southwest Gateway. The agreement set a funding level of \$600 per residential unit.

On May 16, 2006 the Council received a presentation on the gap that exists between revenue and expenses relative to new development. It was noted that for several decades, cities have been examining the fiscal effect of new development. Academic studies have been done to document that new residential development does not fully pay for required city services and that the existing city businesses and residents are supporting, or subsidizing, new residential growth. Generally, retail development provides net revenue over costs, industrial and office uses tend to be in fiscal balance with city revenue matching cost of city services provided, while residential development is in a deficit position with the costs of services provided exceeding the revenue generated. There is some variation in the size of the residential "gap" with high value housing creating a smaller gap than more moderately valued housing given an equal level of services. A root cause of this fiscal gap is the State's property tax system as impacted by the limitation of Proposition 13 and the ERAF shift. This situation has been made worse for cities by the more recent establishment by counties of mandatory tax sharing agreements required of cities to annex property. While these tax sharing agreements help counties address their fiscal gap by allocating more of the local property tax portion of the total property tax bill to counties, this comes directly from city revenues from new development.

The purpose of this discussion is to continue the dialog with Council regarding the size of the "gap", the range of services that qualify for CFD funding, who would be subject to the future Special Tax, what other agencies in the region are doing, and the steps to formation of the CFD. As further background information, newspaper articles describing CFD's in Galt and Modesto are provided as Attachment A.

A fiscal study prepared by Economic and Planning Systems quantified the size of the gap as being around \$600 per residential unit. This analysis presented a detailed evaluation of the revenues from new development the costs to provided city services to those residents. This fiscal analysis formed the basis for setting the the funding level of \$600 per residential unit for the newly approved development projects.

APPROVED:

Blair King, City Manager

The CFD boundary would initially comprise the two approved development projects, Reynolds Ranch and Southwest Gateway. All future residential development would be required to annex to the CFD once it has been established. This would apply to all development requiring a subdivision map. Commercial and industrial development and minor parcel splits would not be required to annex to the CFD.

The range of public services that qualify for funding through a CFD is broad and flexible. The eligible services include storm drainage, landscape, parks, open space, police, fire, and library. A summary of the services and the special tax rate for other regional agencies that are funding public services is provided as Attachment B.

The steps leading to formation of a CFD for Public Services are presented in Attachment C. This procedure is similar to that followed by the Council in establishing the Lighting and Landscape Maintenance Assessment District in 2003. Once the CFD for Public Services is established, it is expected that new developments would no longer be required to annex to the Lighting and Landscape Maintenance Assessment District.

**FISCAL IMPACT:** Not applicable.

**FUNDING AVAILABLE:** Not applicable.

*F. Wally Sandelin*  
For Richard C. Prima, Jr.  
Public Works Director

Prepared by F. Wally Sandelin, City Engineer/Deputy Public Works Director

RCP/FWS/pmf

Attachments

cc: City Engineer  
Constantine Baranof  
Susan Goodwin

WEONESOAY, FEBRUARY 16, 2005

LODI NEWS-SENTINEL

# Galt to add police officers, firefighters

By **Ross Farrow**  
NEWS-SENTINEL STAFF WRITER

**GALT** — Galt will add at least one new officer and another dispatcher to the police force this year.

In separate actions, the City Council agreed on Tuesday to add an officer and dispatcher at Mayor Darryl Clare's request. Additionally, the council plans to add officers and firefighters in future years through a Mello-Roos tax district on future homes to be built in the city.

The officer and dispatcher will be paid with \$336,000 from a statewide loan program that will guarantee Galt 90 percent of the vehicle license fees the state failed to pay during the 2003-04 fiscal year.

Police Chief Doug Matthews said at a December council meeting that the police department needs to add 14 officers to bring it to the levels established in 1989, when Galt's population was about 8,000. Today, the city has more than 22,000 residents.

The Mello-Roos district, subject to formal approval on March 22, will take effect with property tax payments due on Dec. 10. Homeowners in future Galt subdivisions will pay \$385 per year to hire additional police officers and firefighters.

With the Mello-Roos revenue, Police Chief Doug Matthews said outside the council meeting that he expects enough revenue to add one officer per year if Galt continues its annual growth trend from recent years of 1,000 new residents.

The two property owners affected at this time, Forecast Homes in the city's western edge and Elliott Homes in the Northeast area, will vote on whether to accept the tax, to be imposed on future homebuyers.

Any future developments will be added to the Mello-Roos district as well, according to Curt Campion, Galt's assistant city manager and planning director.

## MELLO-ROOS AT A GLANCE

**Q: What is Mello-Roos?**

**A:** A special assessment imposed on real property owners within the boundaries of a city, portion of a city, county, fire district, joint-powers authority or other special district.

**Q: Who approves Mello-Roos taxes?**

**A:** Landowners in the affected area. In most cases, the landowners are developers who haven't built any homes yet.

**Q: When were Mello-Roos districts formed in California?**

**A:** 1982.

**Q: What can Mello-Roos revenue be used for?**

**A:** Police and fire protection, ambulance and paramedic services, Parks, schools, libraries, recreation programs, open space, museums, child-care buildings, flood and storm protection, hazardous substance removal, natural gas pipelines, telephone lines, electricity, cable TV lines and other services.

**Q: What exactly does the tax finance?**

**A:** The bond principal and interest for the projects listed in the Mello-Roos documents.

— News-Sentinel staff (From Sacramento County Auditor's Office).

Residents of homes that have already been built will not pay the Mello-Roos tax, but Galt residents who move into one of the new homes will pay the tax.

The state Legislature adopted the Mello-Roos funding structure in 1982 to give local agencies the ability to finance new projects. The funding structure is named for then State Sen. Henry Mello and Assemblyman

Mike Roos, who authored the legislation.

Lodi doesn't assess any Mello-Roos taxes, but many communities, including Stockton, Elk Grove, Sacramento, Rancho Cordova and Folsom, have Mello-Roos assessments.

Galt already has three Mello-Roos districts, one assessed on property owners east of Highway 99, one to help finance portable and permanent school buildings in Galt's elementary and high school districts, and one to finance the Galt Plaza shopping center.

In Galt's Northeast area, homeowners pay between \$311 and \$763 per year to pay for the street system and other amenities to accommodate the initial development east of Highway 99 in the early 1990s, Finance Director Inez Kiriu said Tuesday afternoon.

Information on the school district Mello-Roos was not available.

The police department will receive \$287 for each new home built in the two subdivisions, one in the city's Northeast area, and one on the western end of town.

The Galt Fire Protection District — which is not administered by the city — will get \$98 per home if the council approves the Mello-Roos district's formation in March.

Owners of multifamily complexes will pay \$253 per unit, with \$189 going to the police department and \$64 to the fire district.

And for undeveloped property, landowners with parcels less than a quarter-acre will pay \$100 per parcels. Those with more than a quarter-acre will pay \$410 per acre.

Campion said the Mello-Roos tax will provide a predictable funding source that the state cannot take from Galt to augment the state budget.

Mello-Roos revenue can only be used for personnel, not to purchase equipment, Campion said.

Contact reporter **Ross Farrow** at [rossf@lodinews.com](mailto:rossf@lodinews.com).



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New findings, few answers in GI's death

### Modesto eyes new tax districts Future subdivisions could pay more

By ADAM ASHTON  
BEE STAFF WRITER  
Last Updated: November 10, 2006, 05:23:00 AM PST

If Modesto wants to make growth pay for itself, it should start charging people hundreds of dollars a year for public services in proposed subdivisions, a consultant recommended in a newly released study.

Providing police, fire and parks costs the city \$647 more than it gets in annual property and sales taxes from a typical new home, according to the Goodwin Consulting Group's review of Modesto development.

The consultant suggested Modesto follow several nearby cities in setting up expanded special tax districts for future subdivisions.

City Councilman Bob Dunbar, who voted to hire Goodwin Consulting in April, said the taxes might provide Modesto with one of its only options to keep new homes from draining public resources.

"That's about the only way you can do a pay-as-you-go approach so that you can have all those services pretty much immediately," he said.

He is expected to consider the Goodwin report at a Finance Committee meeting Wednesday with Councilman Brad Hawn and Councilwoman Kristin Olsen.

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ADVERTISERS

Modesto eyes new tax districts

**'It can be a sales advantage'**

City Manager George Britton said that meeting could allow officials to begin discussions with developers about the taxes, which are known as Mello-Roos community facilities districts.

Sabatino no-show prompts warrant

Fall's multicolored foliage draws on nature's palette

With the council's approval, Britton said the taxes could be in place before the 3,200-home Tivoli project and the 2,100-home Fairview plan — Modesto's next big subdivisions — can break ground.

San Joaquin County workers walk off the job

"We'll certainly keep our eyes on it," said Dave Romano, an engineer who represents the Tivoli project in northeast Modesto.

Complete Index ▶

Northern San Joaquin Valley builders said special tax districts for subdivisions can benefit new homeowners as long as the money they give the city is kept in their neighborhoods.

"I don't have a problem with it at all," said Bill Zoslocki, president of the Building Industry Association of Central California. "In fact, it can be a sales advantage if you have increased police and fire in that district.

"But if it's used as a subsidy, and it provides a level of service in the rest of the city, that's not right," he said.

Merced has hired a police lieutenant, six officers, two emergency dispatchers and three firefighters with money it collected in special tax districts in new subdivisions since 2004, Merced City Manager James Marshall said.

Marshall said the city tracks money from the districts in special accounts and it tasks the Police Department with making sure the areas benefit from a law enforcement presence.

**System works well in Merced**

Greg Hostetler, president of Merced-based Ranchwood Homes, said the Merced system works well with new homeowners paying their share of city services.

"It's a good vehicle," said Hostetler, whose projects in Merced and Los Banos are subject to the tax districts. "I think it's an appropriate way to do it, as long as it's managed and implemented right."

A special tax district in Oakdale benefited new homeowners on the city's west

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side by giving the Fire Department enough money to hire five firefighters for a new station on **South Willowood Drive**.

Oakdale Fire Chief Mike Wilkinson said "there's no way" the city could have hired firefighters in time to protect west side homes without the tax district.

Modesto already collects money in special tax districts in the Village I area. That money **goes** toward landscaping and streetlights, engineering **services** that Zoslocki said specifically benefit that neighborhood.

Mello-Roos districts take their name from state Sen. Henry Mello and Assemblyman Mike Roos, who created them in **1982** as a means for local governments to pay for public improvements.

Councilman Hawn said Mello-Roos taxes represent one of several methods Modesto could use to improve its public safety staffing. Modesto has 1.35 officers for every 1,000 residents; the council wants a ratio of 1.85 officers per 1,000 residents.

Hawn said the special taxes could prevent new subdivisions from drawing down other resources. He said it could take a public safety tax or a citywide Mello-Roos district to pay for the council's public safety goals.

Hawn characterized the talks about the tax districts as "investigative."

"It's just so clear to me that we're not going to be able to do what citizens expect to have done with what we've got," he said.

Bee staff writer Adam Ashton can be reached at 578-2366 or [aashton@modbee.com](mailto:aashton@modbee.com).

**MELLO-ROOS COMMUNITY FACILITIES DISTRICTS  
THAT FUND PUBLIC SERVICES**

Agency	Services Funded by CFD	FY 2005-06 Maximum Tax Rates	Annual Escalator (1)	Trigger for Special Tax
City of Atwater	Police and Fire	\$562/SF Unit \$312/MF Unit	4%	Final permit inspection or cert. of occupancy
County of Contra Costa	Fire	\$203/Parcel	Change in CPI	None
City of Elk Grove	Police	\$334/SF Unit \$236/MF Unit	Lesser of change in CPI or 5%	Building permit issuance
City of Lathmp	Police, Flood and Storm, Parks	\$535/SF (2) \$2,749/ac. Of Other Prop.	Average increase of two CPI	Building Permit Issuance
City of Los Banos	Police and Fire	\$263/Developed Parcel	Lesser of change in CPI or 4%	Building Permit Issuance
City of Merced	Police, Fire Water, Storm and Flood, Landscape	\$328.37/SF Unit \$308.82/MF Unit	Average increase of two CPI	Building Permit Issuance
City of Modesto (CFD 1996-1)	Median, Parkway, Open Space	\$170.77/SF Unit \$110.86/MF Unit \$598.89/Comm. Acre	Greater of % increase in CCI or 4%	Building Permit Issuance or Final Subdivision Map
City of Modesto (CFD 1997-1)	Parks, Parkways, Open Space	\$100.14/SF Unit \$65.09/MF Unit \$495.68/Non-Res Acre	Change in CCI	Final permit inspection or cert. of occupancy
City of Modesto (CFD 1998-2)	Road, Storm Drain, Median, Parkway, Open Space	\$155.28/SF Unit \$1,243.56/MF Acre \$1,243.56/Non-Res Acre	4%	Building permit (Non-Res.); Final permit inspection or cert. of occupancy (Res.)
City of Modesto (CFD 2000-2)	Storm Drain Basin, Flood Control, Median, Bikeway, Round-About	\$2,931.63/Acre	Greater of % increase in CCI or 4%	Final permit inspection or cert. of occupancy
City of Modesto (CFD 2002-1)	Landscape, Storm Basin improvement and replacement	Maintenance Portion: \$2,351.98/Acre Sinking. Fund Portion: \$126.00/Acre	Greater of % increase in CCI or 4% (Maintenance portion only)	Building Permit Issuance
City of Modesto (CFD 2003-1)	Storm drain basin, Parks, Parkways, Open Space	\$299.38/Lot	Greater of % increase in CCI or 4%	Final Map (SF) or Building Permit Issuance (all other categories)
City of Modesto (CFD 2004-1)	Median, Parkway, Open Space	\$554.40/LD Acre (2) \$1,302.04/VR Acre (3) \$4,245.12/MF Acre \$971.52/Comm. Acre	Greater of % increase in CCI or 4%	Final Map (SF) or Building Permit Issuance (ail other categories)
City of Oakdale	Fire	\$151/SF Unit \$107/MF Unit \$58/Other Property Unit	Average increase of two CPI	Building Permit Issuance
City of Pittsburg	Police	\$341/SF Unit \$341/MF Unit \$683/Non-Res Acre	5%	Building permit issuance

Agency	Services Funded by CFD	FY 2005-06 Maximum Tax Rates	Annual Escalator	Trigger for Special Tax
City of Roseville (CFD No. 3)	Police, Fire, Recreation, Parks, Flood and Storm	\$305/SF Unit (4) \$1,668/acre Commercial	Lesser of % Increase in Operating Budget or 4%	Use Permit or Building Permit Issuance
County of Sacramento	Sheriff	\$300/SF Unit \$220/MF Unit	Lesser of change in CPI or 5%	Final map for SF Permit for MF
City of Suisun	Police, Fire, City-wide Landscaping	\$554/SF Unit \$290/MF Unit \$779/1K sf of Non-Res	Change in two CPI	Building permit issuance
City of Vallejo (Mare Island CFD 2002-1)	Police, Fire, Water, Storm Drainage, other svcs	\$1,921/SFD Unit (5) \$1,407/SFA Unit \$1,190/MF Unit \$19,890/acre of Non-Res	2%	Building permit issuance
City of Vallejo (Mare Island CFD 2005-1A)	Police, Fire, Water, Storm Drainage, other svcs	\$890/SFD Unit (6)	4%	Building permit issuance

- (1) CPI =Consumer Price Index, CCI = Construction Cost Index
- (2) LD =“Low Density” single family residential units.
- (3) VR = “Village Residential” single family residential units.
- (4) Tax rates differ depending on zoning; tax rates shown here are for Medium Density SFD property.
- (5) Tax rate depends on the living area of units. Tax rate shown here is for units between 2,301 and 2,600 sqft.
- (6) Tax rate depends on the living area of units. Tax rate shown here is for units between 2,401 and 2,700 sqft.

**Mello-Roos Community Facilities District  
to Fund Public Services  
Steps**

Adoption of Resolution of Intention to form CFD; date and time of public hearing are identified	City Council meeting
Clerk files a copy of the boundary map with the County Recorder	Required within <b>15</b> days of adoption of the Resolution of Intention
Clerk publishes Notice of Public Hearing	Required to be published at least seven days prior to Public Hearing
Notice and ballots mailed to property owners	Assumes waivers have been received from all property owners waiving the 90-day waiting period before election
Public Hearing; Council adopts Resolution of Formation; landowner election; Council certifies election results	Cannot occur less than <b>30</b> days after adoption of the Resolution of Intention. Assumes <b>100%</b> waiver of waiting period
Notice of special tax lien recorded at County Recorder's Office	
Special tax levied	Next fiscal year if parcels have triggered the special tax levy

# Community Facilities District Financing For Public Services

December 12, 2006

# Services to be Funded

Assume full flexibility – All the law allows

- Storm Drainage
- Landscaping
- Parks
- Open Space
- Police
- Fire
- Library

# Boundaries

- All new development –  
4 parcels or more

# Annual Special Tax

- Residential Property      \$600 per dwelling unit
- Apartment Rental      \$175 per dwelling unit
- Commercial/Industrial      0
- Retail Commercial      0
- Deed Restricted Affordable      ?

- Only developed property assessed
- Annual Revenue Estimate –

**Up to \$1.4 million**

# Increase in the Maximum CFD Tax

- Change in San Francisco – Oakland – San Jose Area Urban Consumer Price Index or two percent (2%)

# Trigger for Tax

Building Permit Issuance

or

Final Permit Inspection / Certificate of  
Occupancy

# Local Goals and Policies

- All proposed residential development that requires the approval by the City of four or more residential lots or that require the approval of a subdivision map containing four or more residential dwelling units
- Disclosure to prospective property purchases

# Local Goals and Policies

- Equity
- Costs of formation borne by applicants
- Commercial development has positive impact on the City's General Fund – not required to form or annex to a Financing District for services

# Mello-Roos Community Facilities District to Fund Public Services Steps

Action	Timelines/Notes
Adoption of Resolution of Intention to form CFD; date and time of public hearing are identified	City Council meeting
Clerk files a copy of the boundary map with the County Recorder	Required within 15 days of adoption of the Resolution of Intention
Clerk publishes Notice of Public Hearing	Required to be published <b>at</b> least seven days prior to Public Hearing
Notice and ballots mailed to property owners	Assumes waivers have been received from all property owners waiving the 90-day waiting period before election
Public Hearing; Council adopts Resolution of Formation; landowner election; Council certifies election results	Cannot occur <b>less</b> than <b>30</b> days after adoption of the Resolution of Intention. Assumes 100% waiver of waiting period
Notice of special <b>tax</b> lien recorded at County Recorder's Office	
Special tax levied	Next fiscal year if parcels have triggered the special tax levy

