



Session Four

Current Application of Land-Secured Financing Districts

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**CURRENT TOPICS AND PRACTICES IN
LAND-SECURED AND DEVELOPMENT FINANCE**

**MAY 22, 2024
POMONA, CA**

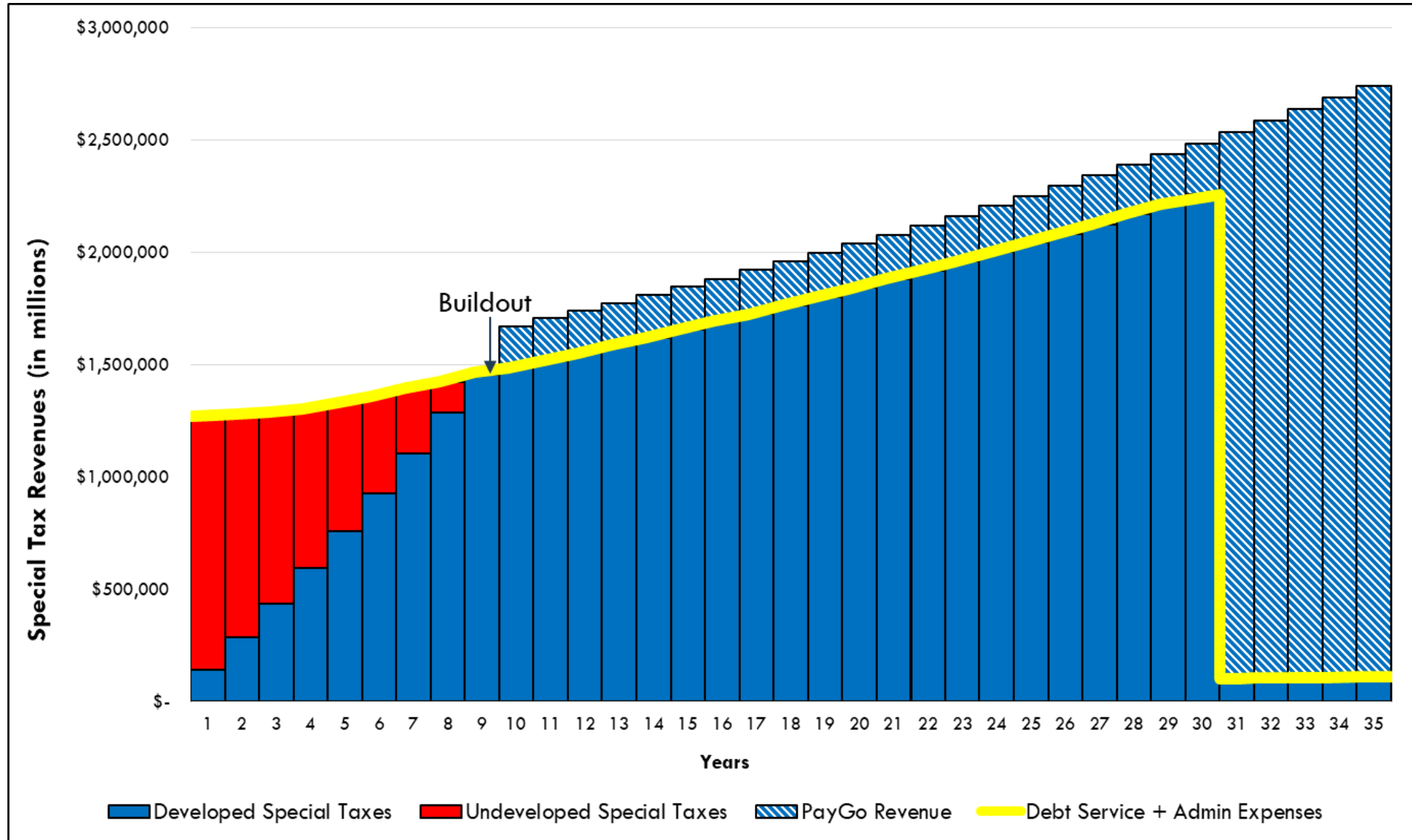
New Trends in Mello-Roos CFDs

- PayGo Revenues
- Extended Term
- Transition of Facilities Tax to Services Tax
- Annexable Services CFDs
- Contingent Special Tax

Pay-As-You-Go Revenues (PayGo)

- PayGo = special tax revenues remaining after payment of debt service and administrative expenses
- Maximum special tax levied on Developed Property, not Undeveloped Property
- Little or no PayGo in initial years of development
- Available from 10% coverage, savings after refundings, and retirement of bonds

PayGo Revenues



Uses of PayGo Revenues

- Continued acquisition of facilities (reimbursement to developer) after bond issuance
- Payment of facility costs in later years of development
- Repair/replacement of facilities funded from bond issues
- Deferred maintenance if services special tax is delayed or not required
- Contribution to major projects for which funding can be delayed (e.g., sea level rise improvements, transit, interchange)

PayGo Policy Considerations

- Term of collection of maximum special tax
- Use of PayGo Revenues
- Beneficiaries of bond refundings
 - Taxpayers = reduction in special taxes levied
 - Developers = additional reimbursements
 - Public agency = funding of facilities and/or maintenance

Extended Term

- Sunset date for special tax is well past retirement of initial bonds
 - Historically, CFDs with multiple bond issues had 35 to 45-year terms
 - Now, 60 to 100-year term of facilities special tax
- Useful only if facilities can be funded well into the future
 - PayGo or additional bond issues
 - After 30 years, use “recycled bonding capacity”
 - Multiple tranches of bonds, each with 30-year term
- Impacts prepayment options

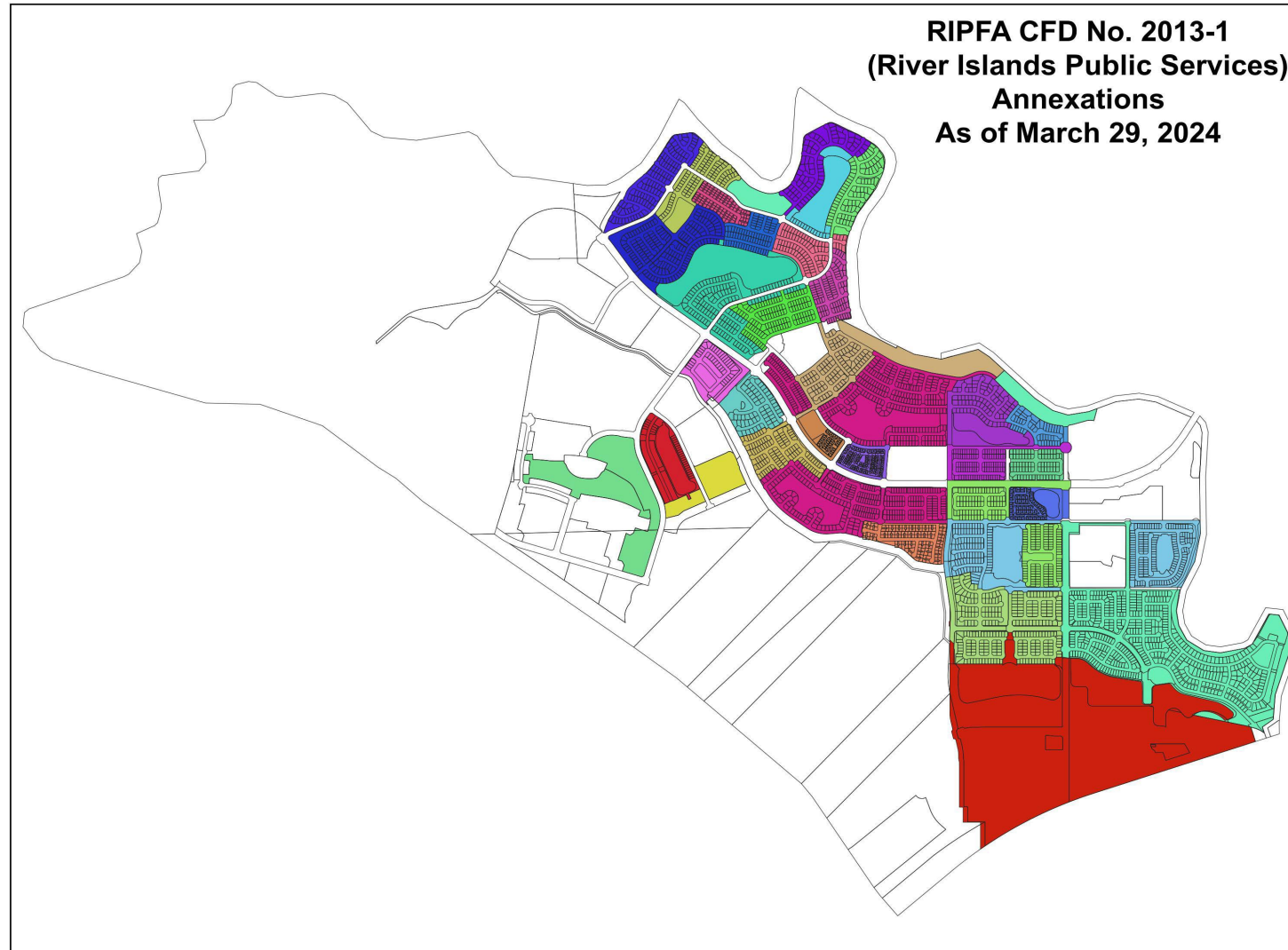
Transition of Facilities Tax to Services Tax

- Reserves capacity in initial years for infrastructure and community facilities
- Provides revenues in perpetuity for maintenance, repair & replacement, and public services
- “Transition Event” usually occurs at the earlier of: (i) all bonds repaid and facilities fully funded or (ii) all bonds repaid and sunset date for facilities tax
- Must transition to avoid 2% cap on escalation and requirement for a sunset date
- Need to consider transition in prepayment formula for facilities special tax

Annexable Services CFDs

- Quick and cost-effective mechanism to comply with condition of development to fund maintenance and/or public services
- One or more parcels in initial CFD boundaries, with projects annexing as condition needs to be met
- Future Annexation Area can be entire jurisdiction and even sphere of influence
- Initial CFD can be “Tax Zone 1” with future tax zones established upon annexation if different tax rates are needed
- Maximum special tax may have multiple components for different cost items
- With each annexation, one or more components can be changed

Annexable Services CFD



Contingent Special Tax

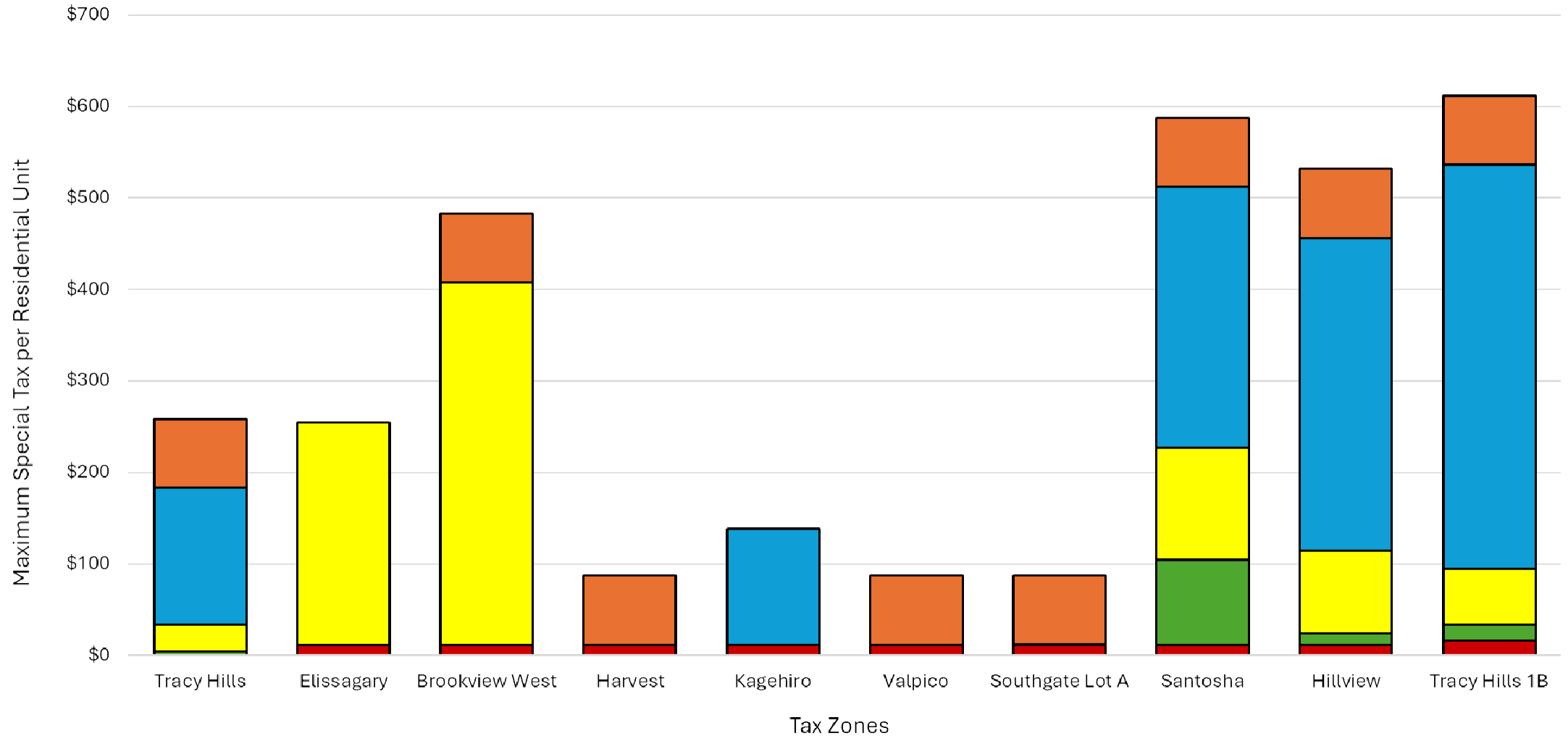
- Used when public agency is concerned about continuation of services being provided by an owners association
- Kicks in if and when association does not provide required service(s) or provides substandard level of service
- “Trigger Event” is defined in RMA
- Contingent Special Tax must be disclosed to homebuyers

Case Studies

City of Tracy: Citywide Services CFD

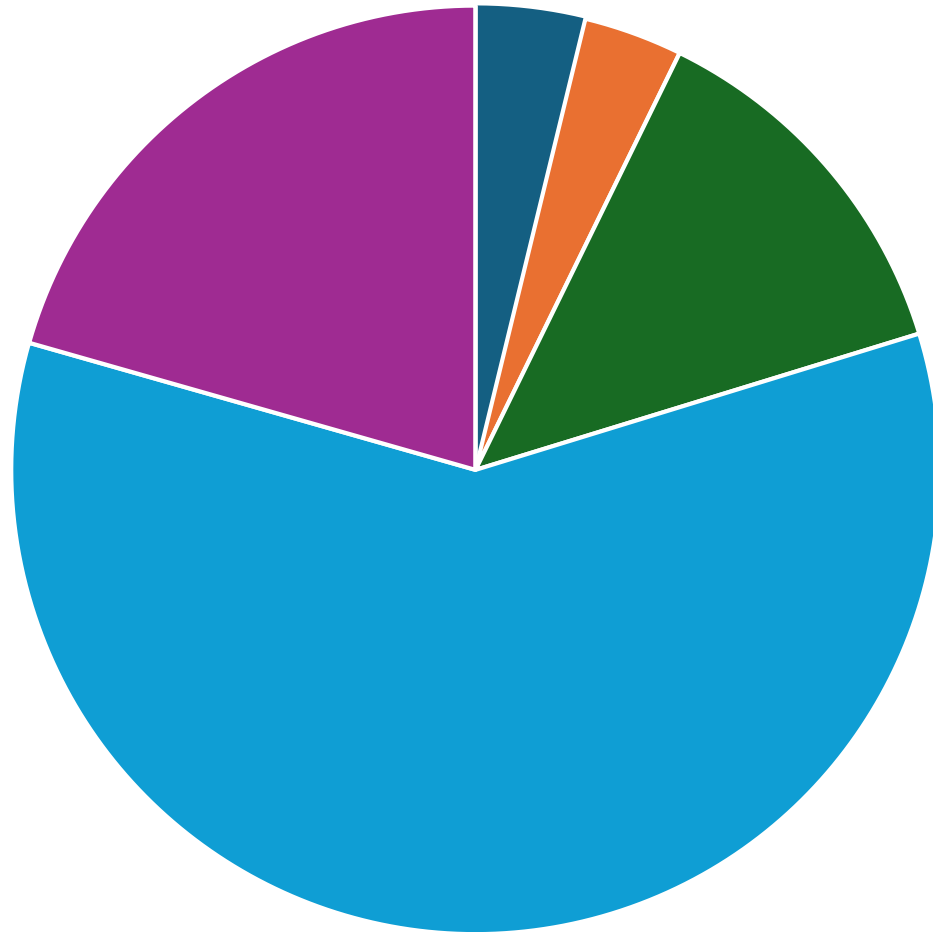
- All new developments in Tracy are conditioned to fund maintenance and public services
- Original CFD formed in 2018 with replacement formed in 2021 to add more authorized services
- 14 annexations to date, all creating a new tax zone
- Six different components making up one maximum special tax
- Two components are the same in almost every zone, other four vary by zone
- Escalator = lesser of increase in CPI or 4%
- In fiscal year 2023-24, CFDs generated almost \$500K in aggregate special tax revenues.

City of Tracy: Citywide Services CFD



Contingent Public Safety and Public Works Project-Specific Maintenance Basin Maintenance Arterial Landscape Maintenance Administration

City of Tracy: Citywide Services CFD



Revenues Collected in FY 2023-24

- Administration Component
\$18,799
- Landscape Maintenance
\$17,019
- Basin Maintenance
\$64,270
- Project-Specific Maintenance
\$292,304
- Public Safety and Public Works
\$101,714
- Contingent Component
\$0

Treasure Island: Case Study of a Modern CFD

- Improvement Areas
- Future Annexation Area
- PayGo
- Extended Term
- Adjustment of Maximum Tax prior to First Bond Issue
- Transition of Facilities Special Tax to Services Special Tax



Redevelopment of Treasure Island

Former U.S. Navy station from 1941 to 1997

Yerba Buena Island

- 150 acres natural island
- Anchors Bay Bridge

Treasure Island

- 400 acre man-made island
- Hosted 1939 International Golden Gate Exhibition



Treasure Island Planned Redevelopment



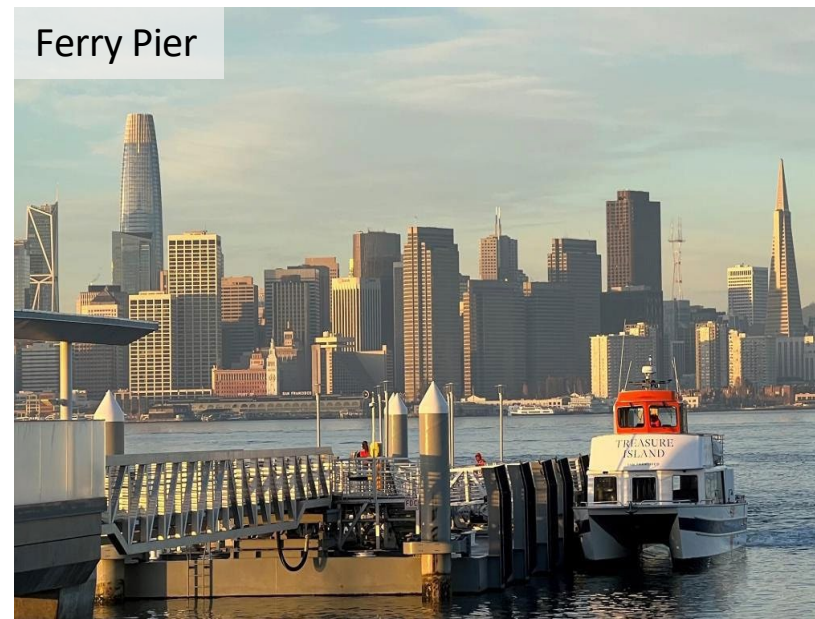
Expansive Development Plan

- Up to 8,000 homes, 25% below market
- 240,000 sq ft of retail, office, and commercial uses
- Ferry terminal and 400-slip marina
- Parks and open space



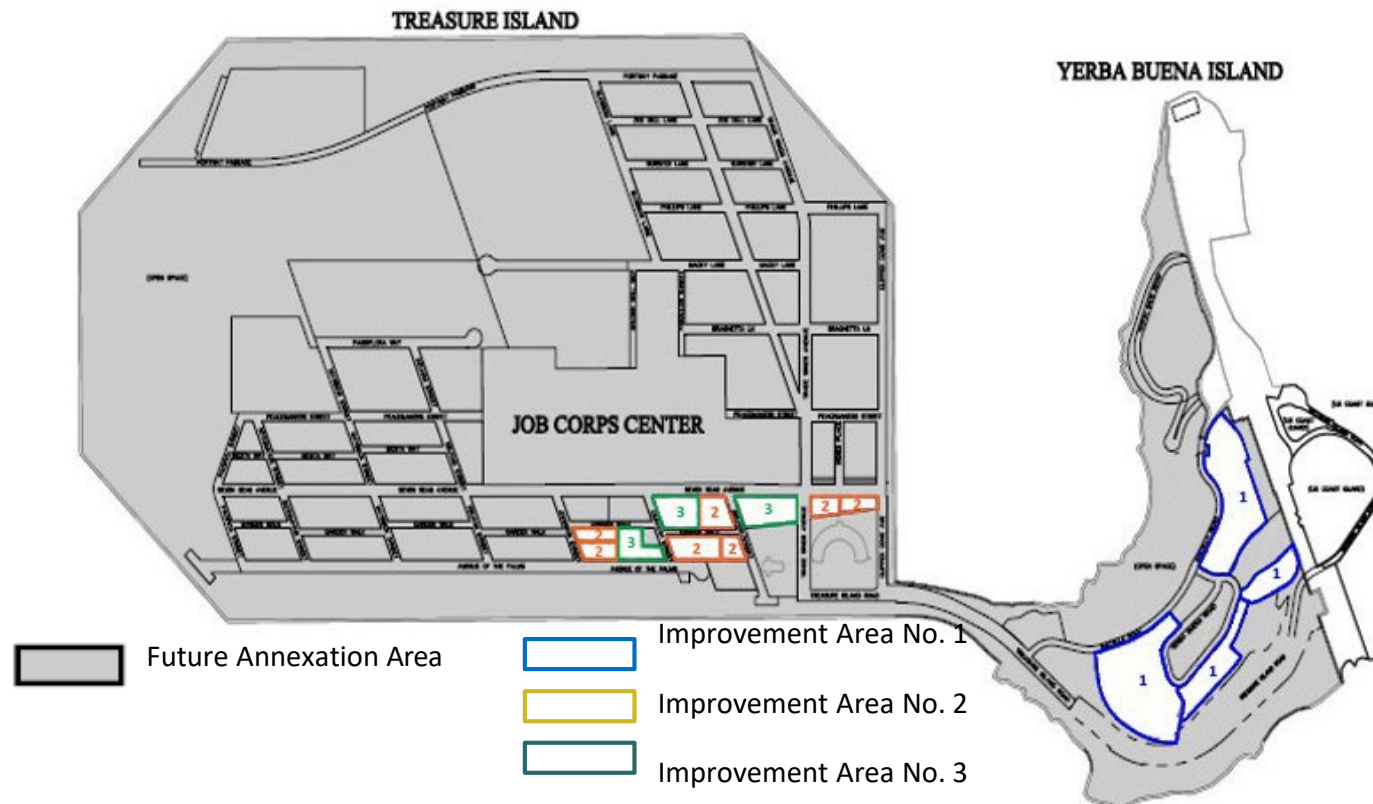
Treasure Island Infrastructure Needs

- **Significant upfront infrastructure costs**
 - Geotechnical stabilization of soils on manmade island and sea level rise mitigations
 - Modern utility systems
 - Rebuilt Causeway connecting the Islands
 - Streets, bikepaths, pedestrian trails
 - New Ferry Terminal
 - Expansive parks and open spaces
 - Over \$700 million invested to date
- **Future capital and maintenance needs**
 - Uncertain future Sea Level Rise improvements
 - Ongoing maintenance of parks, infrastructure, and Sea Level Rise improvements



San Francisco CFD No. 2016-1 (Treasure Island)

- Formed in 2017 with \$5 billion authorization
- Improvement Area No. 1 (Yerba Buena Island) and a Future Annexation Area
- Additional property has since annexed into Improvement Areas No. 2 and No. 3



Treasure Island: Case Study of a Modern CFD

- **Developer anticipating 8 improvement areas (IAs)**
 - Three IAs formed to date; future IAs established when property annexes into CFD
- **Financing Plan provided for 999-year facilities special tax term**
 - Ultimately set at 100 years for each IA, then transitions to services special tax.
- **Negotiated application of PayGo Revenues:**
 - First 42 years = acquisition of infrastructure from developer
 - Years 43-100 = facilities and improvements determined by City, including Sea Level Rise (SLR) improvements
- **“Transition Event” = earlier of (i) all bonds repaid and SLR capital reserve fully funded, or (ii) all bonds repaid and facilities tax levied for 100 years**
 - Facilities special tax is then reduced to \$0
 - Services special tax equal to 26% of facilities special tax prior to transition kicks in

Treasure Island: CFD Bond Sales to Date

Improvement Area No. 1

- \$17 million inaugural sale in October 2020
- \$40 million parity sale in July 2021
- 124 units completed, 31 units nearing completion

Development Status as of October 2020



Improvement Area No. 2

- \$25 million sale in January 2022
- \$17 million parity sale in December 2023
- 576 units under construction

Aerial as of late 2021

