

FUNDAMENTALS OF LAND-SECURED FINANCING



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PRESENTERS



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Session III

District Formation Process



Formation Process

- LET'S GET STARTED
 - *Petition*
- MULL IT OVER
 - *Resolution of Intention*
 - *CFD: Rate & Method of Apportionment and Boundary Map*
 - *AD: Engineer's Report and Assessment Diagram*
- HASH IT OUT
 - *Public Hearing*
 - *AD ballot tabulation & CFD written protests*
- SEAL THE DEAL
 - *Resolution of Formation (CFD and AD)*
 - *CFD election*



CFD Special Election Process

- Conducted after Resolution of Formation
- This is an election under the Elections Code
- Requires 2/3 approval of “qualified electors”
 - If 12 or more registered voters in CFD, registered voter election
 - If less than 12 registered voters, landowner election (one vote per acre or portion of acre)
- Record Notice of Special Tax Lien within 15 days of election



Assessment Ballot Process

- Required by Proposition 218
- Mailed with Notice of Public Hearing
- This is **not** an election, **not** a secret ballot
- Ballots opened and tallied after hearing
- Weighted by assessment amount
- More “no” than “yes”, then no assessment can be levied



Assessment Process After Formation

- Recordation of Notice of Assessment
- 30-Day Cash Collection Period
 - Mailed Notice to Pay Assessment
 - Cash payment discount
 - Paid / Unpaid List



CFD Public Hearing Report

- Description and estimated costs of facilities and services being funded
- Usually includes copy of Rate and Method of Apportionment of Special Tax
- Must be filed with the Clerk prior to public hearing



Rate and Method of Apportionment

- Approved by public agency at ROF and by 2/3 vote of qualified electors
- Describes methodology used to calculate the annual special tax levy
- Must generate amount needed each year to pay bond debt service and admin expenses, to replenish reserve fund, and to pay directly for facilities and/or services



CFD Special Tax Formulas: Developed Property Special Tax

- Bond market expects 110% debt service coverage at buildout
- “Developed” trigger can be final map, building permit, certificate of occupancy, or other defined event as of a specified date
- Categories can be based on land use, home size, lot size, density, or other “reasonable” criteria
- Public agency policy limits maximum tax rate
- Avoid variability in special taxes levied on Developed Property



CFD Special Tax Formulas: Undeveloped Property Special Tax

- Applies to parcels that do not yet meet definition of “Developed Property”
- Typically charged on a per-acre basis
- Provides coverage prior to buildout
- Should absorb variability in special tax levy prior to buildout



CFD Special Tax Formulas: Additional Items to Consider

- Rate of Escalation (facilities vs. services)
- Steps of Taxation
- Backup Special Tax
- Transition Event
- “PayGo” Special Tax Revenues
- Prepayment Formula



Engineer's Report

S&H Code §10204 (1913 Act)

- Plans & Specifications
- Estimate of Costs
- Assessment Diagram
- Assessment Methodology
- Assessment Roll
- Annual Administration Costs



Engineer's Report

S&H Code §2960 (1931 Debt Limitation Act)

- Total principal amount of Unpaid Assessments on parcels
- Total true value of parcels
- Total Lien / Value
(must be less than 50%, by Code)



Engineer's Report

- Key information document in a dispute
- Prepared by a Registered Prof. Engineer
- Proposition 218 requirements
 - General Benefit should be identified, quantified and discussed
 - Special Benefit should be clearly defined
 - Assessment spread clearly detailed
 - Special treatment of public parcels should be discussed