

City of Hesperia

STAFF REPORT



DATE: January 7, 2020

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Michael Blay, Assistant City Manager
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SUBJECT: Statewide Community Infrastructure Program (SCIP)

RECOMMENDED ACTION

It is recommended that the City Council hold a public hearing to receive comments regarding the Statewide Community Infrastructure Program (SCIP); and adopt Resolution 2020-03, authorizing the City to join the SCIP; approving substantially to form, the Acquisition Agreement and other SCIP related documents, subject to modifications as approved by the City Attorney as needed; and authorizing the City Manager to execute completed Acquisition Agreements.

BACKGROUND

The California Statewide Communities Development Authority (CSCDA) is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of CSCDA include approximately 389 cities and 56 counties throughout California, including the City of Hesperia (the "City").

The Statewide Community Infrastructure Program (SCIP) was instituted by CSCDA in 2002 to allow owners of property in participating cities and counties to finance certain development impact fees that would be payable by property owners upon receiving development entitlements or building permits. The program has since been expanded to include financing of certain public capital improvements to be constructed by or on behalf of property owners and relinquished to the City.

ISSUES/ANALYSIS

If a property owner chooses to participate, the selected public capital improvements and/or the development impact fees owed to the City may be financed by the issuance of tax-exempt bonds by CSCDA. CSCDA will impose a special assessment on the owner's property to repay the portion of the bonds issued to finance the fees paid with respect to the property. With respect to impact fees, the property owner will either pay the impact fees at the time of permit issuance, and will be reimbursed from the SCIP bond proceeds when the SCIP bonds are issued; or the fees will be funded directly from the proceeds of the SCIP bonds. In the former case, the City is required to pay the fees over to SCIP, and in the latter case, SCIP holds the bond proceeds representing the fees. In both cases the fees are subject to requisition by the City at any time to make authorized fee expenditures. But by holding and investing the money until it is spent, SCIP is able to monitor the investment earnings (which come to the City) for federal tax law arbitrage purposes. SCIP encourages the City to spend those amounts before

any other fee revenues of the City. If the fees are paid by the property owner and bonds are never issued, the fees are returned to the City by SCIP. In this way, the City is never at risk for the receipt of the impact fees. Since its inception, SCIP has financed approximately \$600 million of bonds for local projects.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- Instead of paying cash for public capital improvements and/or development impact fees, the property owner receives low-cost, long-term tax-exempt financing of those fees, freeing up capital for other purposes.
- The property owner can choose to pay off the special assessments at any time in accordance with the CSCDA regulations. Because SCIP is a fixed lien assessment payments will not escalate over time and no property owner is in any way responsible for another properties assessment.
- For home buyers, paying for the costs of public infrastructure through a special assessment is superior to having those costs “rolled” into the cost of the home. Although the tax bill is higher, the amount of the mortgage is smaller. Moreover, because the special assessment financing is at tax-exempt rates, it can come at a lower cost than mortgage rates.
- Owners of smaller projects, both residential and commercial, can have access to tax-exempt financing of infrastructure. Before the inception of SCIP, only projects large enough to justify the formation of an assessment or communities facilities district had access to tax-exempt financing. SCIP can finance project amounts as low as \$500,000.

The benefits to the City include:

- As in conventional assessment financing, the City is not liable to repay the bonds issued by CSCDA or the assessments imposed on the participating properties.
- CSCDA handles all district formation, district administration, bond issuance and bond administration functions. A participating county or city can provide tax-exempt financing to property owners through SCIP while committing very little staff time to administer the program. At its discretion, the local agency can charge an administrative fee to cover staff time taken to review the SCIP application and request for funding.
- Providing tax-exempt financing helps participating cities and counties cushion the impact of rising public capital improvements costs and development impact fees on property owners.
- The availability of financing can encourage developers to pull permits and pay fees in larger blocks, giving the participating city immediate access to revenues for public infrastructure, rather than receiving a trickle of revenues stretched out over time. As part of the entitlement negotiation process, the possibility of tax-exempt financing of fees can be used to encourage a developer to pay fees up front.
- In some cases, the special assessments on successful projects can be refinanced through refunding bonds. Savings achieved through refinancing will be directed back to the participating county or city for use on public infrastructure, or credits to property owners, subject to applicable federal tax limitations.
- SCIP is an important tool for developers in determining the overall feasibility of a project and in certain instances the decision to purchase land.

The proposed resolution authorizes CSCDA to accept applications from owners of property within our planning jurisdiction to apply for tax-exempt financing of public capital improvements

and development impact fees through SCIP. It also authorizes CSCDA to form assessment districts within our City's boundaries, conduct assessment proceedings and levy assessments against the property of participating owners. It approves the form of an Acquisition Agreement, attached to the resolution as Exhibit B, to be entered into between the City and the participating property owner/developer, if applicable, to provide the terms and conditions under which financing for public capital improvements will be provided and to establish the procedure for disbursement of bond proceeds to pay for completed facilities. It also authorizes miscellaneous related actions and makes certain findings and determinations required by law.

FISCAL IMPACT

There is no fiscal impact associated with the current action.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution 2020-03