



CITY COUNCIL AGENDA

CITY COUNCIL CHAMBERS . 11465 WEST CIVIC CENTER DRIVE . AVONDALE, AZ 85323

WORK SESSION
January 16, 2018
6:00 PM

CALL TO ORDER BY MAYOR

1 ROLL CALL BY THE CITY CLERK

2. INTRODUCTION TO COMMUNITY FACILITIES DISTRICTS

City Council will receive an introduction to Community Facilities Districts as a form of financing public infrastructure improvements and maintenance and review the draft CFD policies. This item is for information, discussion and possible direction.

3 ADJOURNMENT

Respectfully submitted,

A handwritten signature in black ink that reads 'Carmen Martinez'.

Carmen Martinez
City Clerk

Council Members of the City of Avondale will attend either in person or by telephone conference call.

Los miembros del Concejo de la Ciudad de Avondale participaran ya sea en persona o por medio de llamada telefonica.

Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1200 or TDD 623-333-0010 at least two business days prior to the Council Meeting.

Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista u oido, o con necesidad de impresion grande o interprete, deben comunicarse con la Secretaria de la Ciudad at 623-333-1200 o TDD 623-333-0010 cuando menos dos dias habiles antes de la junta del Concejo.

Notice is hereby given that pursuant to A.R.S. 1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council may be audio and/or video recorded and, as a result, proceedings in which children are present may be subject to such recording. Parents, in order to exercise their rights may either file written consent with the City Clerk to such recording, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. 1-602.A.9 have been waived.

De acuerdo con la ley A.R.S. 1-602.A.9, y sujeto a ciertas excepciones legales, se da aviso que los padres tienen derecho a dar su consentimiento antes de que el Estado o cualquier otra entidad política haga grabaciones de video o audio de un menor de edad. Las juntas del Concejo de la Ciudad pueden ser grabadas y por consecuencia, existe la posibilidad de que si hay menores de edad presentes estos aparezcan en estos videos o grabaciones de audio. Los padres pueden ejercitar su derecho si presentan su consentimiento por escrito a la Secretaria de la Ciudad, o pueden asegurarse que los niños no estén presentes durante la grabación de la junta. Si hay algún menor de edad presente durante la grabación, la Ciudad dará por entendido que los padres han renunciado sus derechos de acuerdo a la ley contenida A.R.S. 1-602.A.9.



CITY COUNCIL AGENDA

SUBJECT:

Introduction to Community Facilities Districts

MEETING DATE:

1/16/2018

TO: Mayor and Council

FROM: Kevin Artz, Assistant City Manager 333-1013

THROUGH: David Fitzhugh, City Manager

PURPOSE:

Staff seeks to inform the Mayor and City Council regarding Community Facilities Districts as a form of financing public infrastructure improvements and maintenance and review the draft CFD policies. No action is required.

BACKGROUND:

A Community Facilities District (CFD) is a political subdivision of the State of Arizona, authorized to construct, acquire, or issue tax-exempt financing to fund public infrastructure improvements. The CFD must be formed within the corporate limits of a city. A CFD and has the authority to:

- Construct, acquire, operate and maintain public infrastructure.
- Finance construction and acquisition of public infrastructure with Ad valorem property tax bonds (following election), Revenue bonds, or Special assessment bonds
- Finance operation and maintenance of public infrastructure with General obligation tax levy (following election), Special assessments, or Operating revenues

The CFD can be governed by a board of directors comprised of the members of the City Council, ex officio, with two additional members designated by land owner or by a separate board of directors appointed by the Council.

The district must be insured and should include the same coverage as the City and would be obtained through City's carriers, funded by the owners petitioning the city for the district formation.

Formation of District - Prior to formation of a district, a general plan must be prepared and submitted to the City Clerk that provides a general description of the area and infrastructure to be improved by the district. The formation of a CFD generally occurs through a petition to the City Council by at least 25% of the legal owners of land within the proposed district. Next, the Mayor and Council must adopt a resolution declaring intent to form the district, notify all of the land owners of their right to object to the formation of the district, hold a public hearing on the formation of the district, and direct that an election of the land owners be conducted. Formation of the district must be approved by a majority of the votes cast by the owners of the land.

If the City receives a petition from 100% of the legal owners, the City is not required to notify the land owners, or hold public hearings and elections relating to the formation of the district.

DISCUSSION:

City staff has been approached by developers interested in exploring financing alternatives for infrastructure and operational expenses associated with the development of the Avondale planning area generally located between Lower Buckeye Road and Southern Avenue and between the Agua Fria River and 107th Avenue.

Infrastructure needs that may be financed with a CFD may include:

- Construction of street improvements including, but not limited to, Avondale Boulevard, El Mirage, and Broadway Road.
- Purchase/construction of a regional park.
- Other improvements identified by the developer.

A CFD could provide the financing mechanism needed to construct these projects to correspond with the development of the property, through the issuance of debt that would be repaid by the land owners of the district.

Financing options

As noted earlier, a CFD has three options to finance the construction and acquisition of public infrastructure: general obligation bonds, special assessment bonds or revenue bonds.

General Obligation Bonds may be sold by the district if authorized by an election of qualified electors or landowners in the district. The bonds are payable from ad valorem property taxes levied against all property within the district and is unlimited as to rate and amount of the tax. A district may also levy an ad valorem tax on all property in a district for maintenance and operation expenses.

Special Assessment Bonds may be sold by the district if authorized by a Board resolution. The bonds are payable from the assessment on each benefited property. This method spreads the costs of the project to the benefit received by the property.

Revenue Bonds may be sold by the district if authorized by a Board resolution, following a public hearing. The bonds are payable by any revenues of the district. Revenue bonds would typically not apply to a CFD for residential development.

Benefits of a CFD

- Community Facilities Districts provide an incentive to land developers to provide “better” development “sooner”.
- It provides a means to have infrastructure and facilities normally paid for by the City as part of the development process paid for by the district, which receives the benefit of the improvements.
- A CFD also provides a revenue source to pay for operations and maintenance (including funding of replacement reserves) for facilities.

Potential drawbacks of a CFD

- The City is not liable for the debts of the CFD; however, if issues arise, the City will likely be a party to any litigation of the district and will incur costs to defend such litigation.

- Additional administrative burden to the City, as the district does not have a separate staff.
- Because landowners/residents in the district have higher levels of taxes and/or assessments than others in the City, there is a risk of potential “backlash” from those in the district in the future (i.e., citizen complaints, unwillingness to vote in favor of future bond elections or alternative expenditure limitations).
- It is conceivable, but unlikely, that the debt of the district could directly affect the borrowing capacity of the City. If the district fails and especially if it fails to pay its debts, the City will have to explain the circumstances to potential lenders. The lenders may be less inclined to lend or exact higher interest rates since the City appears to be less financially secure.

CFD Policy

The City’s current CFD policy was adopted in 2005 and needs to be updated to reflect changes in State Law that occurred in 2017. Staff will bring the CFD policies to Council for consideration in February.

A CFD policy is necessary in order to help the City secure the benefits of the Community Facilities Act, promote the best interests of the City and to help ensure protection of its property owners and taxpayers. The policy is broken down into four Articles: General Policies, Content of Completed Application, Completed Application Procedures, and Operation and Debt Financing. The following section highlights some key items in the policy:

General Policies

- CFDs should be considered primarily in connection with the financing of major public infrastructure for development of master planned communities or projects that involve substantial commercial development
- A key tenant of this policy is the financial protection of property owners within a CFD. As such, this policy includes provisions that attempt to protect homeowners from financial liability in excess of targeted tax rates and assessments.
- CFD financing will not be provided for subdivision and local improvements normally expected or required as part of a development. A CFD is not intended to fund or subsidize developer requested enhancements.
- The City will encourage an area to be governed by as few CFDs as possible and a preference will be given to one master CFD for all property within an entire development project.

Content of Completed Application

- Defines “Completed Application” for the purposes of ARS Section 48-702(B) and identifies the necessary information required to be submitted to begin the 60-day time requirement for approval.

Completed Application Procedures

- Application fee of \$15,000
- Staff will perform a comprehensive review of the Completed Application to determine whether the Completed Application is consistent with this Policy, identification of missing or incomplete information and identification and discussion of any concerns with the Applicant.
- On presentation of a Completed Application, the City Council within sixty (60) days after submission shall hold a public hearing to consider the Completed Application.

Operation and Debt Financing

- Upon formation of a CFD, the Applicant shall deposit with the CFD a nonrefundable administrative expense fee in the amount of \$50,000.
- Upon depletion of the administrative expense fee, the CFD may request, and the Applicant shall promptly deposit with the CFD, additional \$25,000.
- General Obligation bonds will be secured by an unlimited ad valorem tax on all taxable property located within the CFD.
- Assessment bonds shall be secured by first lien on the property benefited and shall indicate a minimum land value to debt ratio of 4 to 1 prior to the issuance of debt.

RECOMMENDATION:

Staff seeks to inform the Mayor and City Council regarding Community Facilities Districts as a form of financing public infrastructure improvements and maintenance and to present the draft CFD policies. No action is required.

ATTACHMENTS:

Description

[CFD Attachments](#)



Please click on the link below to view the documents

INTRODUCTION TO COMMUNITY FACILITIES DISTRICTS

<https://www.avondaleaz.gov/Home/ShowDocument?id=6882>

CFD POLICY (AMENDED 2017)

<https://www.avondaleaz.gov/Home/ShowDocument?id=6880>

