



CITY COUNCIL AGENDA STATEMENT



November 19, 2019

File ID: 19-0538

TITLE

CONSOLIDATED PUBLIC HEARING TO CONSIDER FORMATION OF THE CHULA VISTA BAYFRONT PROJECT SPECIAL TAX FINANCING DISTRICT AND TO INCUR A BONDED INDEBTEDNESS OF SUCH DISTRICT AND ASSOCIATED ACTIONS

- A. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING AN AMENDED AND RESTATED REVENUE SHARING AGREEMENT BY AND BETWEEN THE CITY OF CHULA VISTA AND THE SAN DIEGO UNIFIED PORT DISTRICT (CHULA VISTA BAYFRONT RESORT HOTEL AND CONVENTION CENTER AND RELATED PUBLIC INFRASTRUCTURE)
- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA APPROVING A JOINT COMMUNITY FACILITIES AGREEMENT BY AND BETWEEN THE CITY OF CHULA VISTA AND THE SAN DIEGO UNIFIED PORT DISTRICT (CHULA VISTA BAYFRONT PROJECT SPECIAL TAX FINANCING DISTRICT)
- C. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA FORMING AND ESTABLISHING THE BAYFRONT PROJECT SPECIAL TAX FINANCING DISTRICT AND AUTHORIZING SUBMITTAL OF THE LEVY OF SPECIAL TAX WITHIN THE BAYFRONT PROJECT SPECIAL TAX FINANCING DISTRICT TO THE QUALIFIED ELECTORS OF SUCH DISTRICT
- D. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA, ACTING AS THE LEGISLATIVE BODY OF THE BAYFRONT PROJECT SPECIAL TAX FINANCING DISTRICT, DEEMING IT NECESSARY TO INCUR A BONDED INDEBTEDNESS OF SUCH DISTRICT
- E. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA, ACTING AS THE LEGISLATIVE BODY OF THE BAYFRONT PROJECT SPECIAL TAX FINANCING DISTRICT, CALLING A SPECIAL MAIL BALLOT ELECTION AND SUBMITTING TO THE QUALIFIED ELECTORS OF SUCH DISTRICT SEPARATE PROPOSITIONS TO AUTHORIZE THE LEVY OF SPECIAL TAXES THEREIN, TO AUTHORIZE SUCH DISTRICT TO INCUR A BONDED INDEBTEDNESS SECURED BY THE LEVY OF SPECIAL TAXES THEREIN AND TO ESTABLISH AN APPROPRIATIONS LIMIT FOR SUCH DISTRICT

RECOMMENDED ACTION

Council conduct the public hearing and adopt the resolutions.

SUMMARY

Pursuant to the Amended and Restated Chula Vista Bayfront Master Plan Financing Agreement, dated June 20, 2017, between the City of Chula Vista (the “City”) and the San Diego Unified Port District (the “Port District”) and the Disposition and Development Agreement entered into as of May 7, 2018, by and among the City, the Port District and RIDA Chula Vista, LLC (“RIDA”), the City has initiated proceedings to consider the formation of the Bayfront Project Special Tax Financing District (the “Bayfront District”) for the purpose of financing the acquisition or construction of certain public and private improvements and the funding of certain public services within the Chula Vista Bayfront Master Plan (CVBMP) area.

Formation proceedings were initiated on September 10, 2019, with the adoption of City Council Resolution Nos. 2019-167, 2019-168, and 2019-169, adopting a boundary map of the Bayfront District, declaring the intention of the City Council to establish the Bayfront District and to authorize the levy of a special tax therein, and declaring the necessity of the Bayfront District to incur a bonded indebtedness, respectively. Resolution No. 2019-169 was subsequently amended by the City Council on November 12, 2019, to increase the maximum bonded indebtedness for the Bayfront District from \$125,000,000 to \$175,000,000.

Tonight’s actions will continue the formal proceedings to establish the Bayfront District, including:

- (a) approving a Joint Community Facilities Agreement between the City and the Port District;
- (b) forming and establishing the Bayfront District and submitting the levy of special tax to the qualified electors;
- (c) deeming it necessary to incur a bonded indebtedness of the Bayfront District; and
- (d) calling a special mail ballot election and submitting propositions to the qualified electors to:
 - (i) authorize the levy of special taxes in the Bayfront District;
 - (ii) authorize the Bayfront District to incur a bonded indebtedness; and
 - (iii) establish an appropriations limit for the Bayfront District.

Prior to continuing the formation proceedings for the Bayfront District, staff recommends approving an Amended and Restated Revenue Sharing Agreement between the City and the Port District.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of the creation of a governmental fiscal/funding mechanism which does not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

Notwithstanding the foregoing, the Project was adequately covered in previously adopted Environmental Impact Report UPD#83356- EIR-658/SCH# 20005081077.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

DISCUSSION

In 2002, the City and the District began a collaborative planning process to create a master plan for the approximately 535-acre Chula Vista Bayfront area. The master plan was designed to transform Chula Vista's underutilized industrial Bayfront landscape into a thriving residential and world-class waterfront resort destination. The CVBMP represents the last significant waterfront development opportunity in Southern California and is the result of a decade-long joint planning effort by a broad coalition of stakeholders, the Port District, the City, and Pacifica Companies.

The CVBMP will create thousands of new jobs, create new public parks, protect natural coastal resources, provide conference and visitor-serving amenities and build an important asset for the San Diego region, the South Bay, Chula Vista residents, and coastal visitors. At buildout, more than 40% of the CVBMP project area will be dedicated to parks, open space, and habitat restoration/preservation. Anticipated economic benefits include the creation of more than 4,400 permanent jobs, nearly 7,000 temporary construction jobs, and numerous indirect jobs in the regional economy.

The CVBMP will be implemented jointly by the City and the District in four major phases over a 24-year period. Phase one of implementation includes the development of the previously described resort hotel and convention center project, the creation of public parks and open space, the restoration of habitat areas, a mixed-use residential development, and ancillary public infrastructure.

Key City Council actions taken to date supporting the development of the CVBMP are summarized in the following table (not an exhaustive list):

Date	Description	City Council Resolution
May 16, 2010	City and Port District approved the CVBMP Final Environmental Impact Report	Resolution No. 2010-113
May 8, 2012	City and Port District approved the Bayfront Master Plan Financing Agreement for the CVBMP (the "Original Financing Agreement")	Resolution No. 2012-078
May 1, 2014	City and Port approved the Joint Exercise of Powers Agreement (the "Original JEP Agreement") establishing the Chula Vista Bayfront Facilities Financing Authority (the "Authority")	Resolution No. 2014-070
November 15, 2016	City approved the Amended and Restated Financing Agreement for the CVBMP (the "Amended and Restated Financing Agreement") <i>(Note – Port District approval followed on June 20, 2017)</i>	Resolution No. 2016-241
June 20, 2017	City and Port District approved entering into a non-binding Letter of Intent (LOI) with RIDA for a resort hotel and convention center within the Chula Vista Bayfront	Resolution No. 2017-104

Date	Description	City Council Resolution
April 24, 2018	City and Port District approved entering into a Disposition and Development Agreement (DDA) with RIDA for a hotel-convention center project (Chula Vista Bayfront Master Plan Parcel H-3)	Resolution No. 2018-057
April 24, 2018	City and Port District approved the Revenue Sharing Agreement for the Chula Vista Bayfront Resort Hotel and Convention Center and Related Infrastructure (the “Original RSA”)	Resolution No. 2018-058
June 18, 2019	City and Port District approved the Amended and Restated Joint Exercise of Powers Agreement (the “Amended and Restated JEP A Agreement”)	Resolution No. 2019-129
October 8, 2019	City approved entering into a Project Funding Agreement with the County of San Diego (the “County”), the Port District, and the Authority, securing a \$25 million loan to the Chula Vista Bayfront Project (the “County Funding Agreement”), to be repaid through additional property tax revenues to be generated by the CVBMP <i>(Note – Port District, Authority, and County each approved entering into the County Funding Agreement)</i>	Resolution No. 2019-194

Revenue Sharing Agreement

The Amended and Restated Financing Agreement establishes the fiscal foundation for development of the Chula Vista Bayfront by addressing the financing, development, and construction of public improvements, infrastructure, and a convention center in the CVBMP area (the “Convention Center”). The capital projects and activities to be funded will promote public access to and engagement with the waterfront, while enhancing the quality and protection of key habitat areas. The Amended and Restated Financing Agreement anticipates the issuance of tax-exempt and/or taxable revenue bonds to finance the public investment toward the cost of constructing the Convention Center (the “RHCC Project Public Investment”) and certain CVBMP public improvements (the “Revenue Bonds”). The Revenue Bonds will be secured by, and payable from, certain sources of funds as identified in the Amended and Restated Financing Agreement, subject in all respects to a future plan of finance to be entered into by the City and Port District.

On April 24, 2018, the City Council and the Port District Board of Commissioners (the “Port Board”) each approved the DDA for the resort hotel and convention center project within the CVBMP (the “RHCC Project”). The DDA addressed business terms and commitments by all parties through the close of escrow for the RHCC Project, including the construction of certain public infrastructure necessary to support the RHCC Project (the “Phase 1A Infrastructure”). The DDA established a maximum RHCC Project Public Investment of \$240 million and acknowledged estimated Phase 1A Infrastructure construction costs of \$60.6 million. The DDA included the Conceptual Outline of the Joint Exercise of Powers Agreement Plan of Finance (the “Conceptual Plan of Finance”), which documented the expected method of financing the RHCC Project Public Investment of \$240 million and Phase 1A Infrastructure construction costs totaling \$56

million. The remaining \$4.6 million in Phase 1A Infrastructure costs were assumed to be funded using cash on hand. Further, the DDA established the Port District's right to elect to fund the construction of a parking garage to serve the RHCC Project (the "Parking Garage"), in an amount not to exceed \$40 million.

At the April 24, 2018 meeting, the City Council and Port Board also each approved the Original RSA. The Original RSA addressed funding commitments of each agency; the application of residual revenues after payment of RHCC Project Public Investment and Phase 1A Infrastructure Revenue Bond debt including reimbursements to each agency (the "Residual Revenues"); operating and maintenance responsibility for the Phase 1A Infrastructure; and allocation of Net Operating Income above an eleven percent (11%) return on investment to be paid by RIDA to the Port District at a rate of twenty percent (20%) for Lease Year 1 through Lease Year 37 (the "Additional Rent").

In conjunction with the Bayfront District formation proceedings, modifications to the Original RSA have been negotiated by City and Port District staff and are presented for Council consideration and approval (the "Amended and Restated RSA"). The Port Board approved the Amended and Restated RSA on November 5, 2019. A redline comparing the Original RSA and the Amended and Restated RSA is provided as Attachment 1 to this report.

Proposed modifications to the terms of the Original RSA are as follows:

1. Includes the Additional Rent in the revenue stream that will be used and distributed to the agencies pursuant to Section 3.3 of the agreement, while clarifying that the Additional Rent will not be pledged to the project Revenue Bonds.
2. Adds the following two new priority uses of the Residual Revenues:
 - a. New priority number two (#2) use of the Residual Revenues is to reimburse the City and the Port District for any funds actually paid or contributed to the County pursuant to the County Funding Agreement, which secured a County loan of \$25 million toward Phase 1A Infrastructure; and
 - b. New priority number three (#3) use of the Residual Revenues is to reimburse the City an amount equivalent to the actual funds expended by the Bayfront District for the construction of the 1,600-space Parking Garage principally intended to serve the Convention Center, not otherwise reimbursed to the City by the Port District.
3. Adds a new Section 3.5 relating to parks, addressing the additional funds to be paid by the City to the Port District pursuant to the Amended and Restated Financing Agreement for purposes of maintaining CVBMP parks (the "Park Rent"). The new section provides that to the extent that the City provides the Park Rent to the Port District, the Port District will contribute the Park Rent to the Authority, to be used to reimburse both the City and the Port District for the operation and maintenance costs ("O&M Costs") actually paid by each agency. A future implementation agreement will further clarify the terms of this provision.
4. Establishes an anticipated annual limit on expenditures by both the City and the Port District in providing services pursuant to the Chula Vista Bayfront Master Plan Natural Resources Management Plan (the "NRMP") of \$300,000, to be shared equally by the two agencies.

5. Clarifies that the Bayfront District may reimburse the City or the Port District for O&M Costs actually paid, subject to a future agreement to be entered into by the agencies. Further, the Amended and Restated RSA clarifies that any O&M Costs otherwise reimbursed to either party are not subject to reimbursement through either the Park Rent or from the Bayfront District.
6. Eliminates the Enhanced Infrastructure Financing District (EIFD) Formation provision, as the City and Port District have now entered into the County Funding Agreement and the formation of an EIFD with the County is no longer desired.
7. Adds a new Section 3.7 relating to the Parking Garage. With this modification, the Port District gains the ability to fund an elective \$40 million contribution toward the construction of the Parking Garage using the proceeds of the Bayfront District special tax levy. To the extent that the operation of the Parking Garage generates revenues, those funds would be designated for the purpose of repaying the Bayfront District. The Port District and City acknowledge that the primary intended funding source for the Parking Garage is the rental car fees to be collected pursuant to Port District Resolution No. 2018-065 (the "Rental Car Revenues") and that litigation is currently pending concerning the collection of such fees. If the Port District is successful in the litigation, they are obligated to pay the City an amount equivalent to the Bayfront District funds contributed to the Parking Garage (less any offset for operating revenues, as previously described). The new priority number three (#3) use of Residual Revenues would only become effective if the Port is unsuccessful in the Rental Car Revenue litigation, or if insufficient funds are generated to meet the obligation to pay the City under this section.

With the approval of the Amended and Restated RSA, the revenues to be contributed by each agency toward the payment of the Revenue Bond debt service are as follows:

Port District Contributions

1. Ground lease revenues derived from:
 - a. Other Ground Leases (as defined in the Amended and Restated Financing Agreement);
 - b. the Tidelands Use and Occupancy Permit for the current RV Park (the "RV Park TUOP");
 - c. a replacement RV park on parcel S1 (the "Replacement RV Park"); and
 - d. the RHCC Ground Lease, less
 - e. the Additional Rent and a credit equal to the actual amount of the existing RV Park lease buyout, in an amount not to exceed \$4,329,614, less any payment reductions negotiated by the Port District.
2. Port District Support Payments, in an amount not to exceed the following schedule:

Lease Years 1 – 4	\$ 0
Lease Years 5 – 14	\$5.0 million
Lease Years 15 – 19	\$6.0 million
Lease Years 20 – 24	\$3.0 million
Lease Years 25 – 38	\$3.5 million
3. The Additional Rent.

City Contributions

1. Transient Occupancy Taxes (TOT) generated by the RHCC Project, the RV Park TUOP, and the Replacement RV Park.
2. Sales tax to be generated by the RHCC Project, the RV Park TUOP, and the Replacement RV Park.
3. Incremental property tax (including property tax in-lieu of motor vehicle license fees) generated by the RHCC Project.
4. Port Municipal Services Agreement (PMSA) revenues.
5. Special tax proceeds of the Bayfront District, limited to the amount used to pay debt service on the Revenue Bonds.

The Amended and Restated RSA reflects the following prioritization for use of the Residual Revenues:

1. To reimburse the Port District for the cumulative amount of District Support Payments actually contributed by the Port District and not previously reimbursed to the District by the Authority; then
2. To reimburse the City and the Port District pari passu for any amounts either Party actually paid or contributed to the County pursuant to the County Funding Agreement; then
3. To reimburse the City an amount equivalent to the actual funds expended by the Bayfront District for the construction of the Parking Garage, not otherwise reimbursed to the City by the Port District; then
4. To reimburse the City for 73.6% of the cumulative actual, direct costs incurred by the City to provide fire service within the CVBMP Project Area, which is the proportionate share of such costs attributable to the RHCC Project and not previously reimbursed to the City (provided that such 73.6% reflects amounts for which the City is entitled to reimbursement in addition to any payments the City receives under the PMSA for fire services, as the PMSA may be amended by the Parties; reimbursement to the City under this paragraph shall not be reduced by the amount of PMSA Revenues received by the City); then
5. To reimburse the City and the Port District on a proportionate, pro-rata basis, for each Party's contribution of the Existing Revenues, as of Close of Escrow; then
6. To reimburse the City and the Port District on a proportionate, pro-rata basis, for each Party's contribution of Existing Revenues after the Close of Escrow, continuing to the COE Termination Date; then
7. To fund an additional reserve fund or reserve fund insurance policy in the amount of one year's debt service for the Revenue Bonds; and finally
8. Any Revenues remaining after the payments described in Items (1) through (7) above will be equally distributed between the City and the District.

Approval of Resolution A, approving the Amended and Restated RSA prior to continuing formation proceedings for the Bayfront District is recommended.

Bayfront District Formation Proceedings

This consolidated public hearing is to be held for the purposes of considering the formation of the Bayfront District, the authorization to levy special taxes, and the necessity of the Bayfront District to incur a bonded indebtedness secured by such special taxes.

The Bayfront District will be formed in conformance with Chula Vista Municipal Code (CVMC) Chapter 3.60 (Community Facilities Districts – General), the Bayfront Project Special Tax Financing District Procedural Ordinance (CVMC Chapter 3.61).

Chapter 3.61 provides a procedure for financing certain public improvements and maintenance and services to serve the CVBMP area, through the establishment of the Bayfront Project Special Tax Financing District. Chapter 3.61 incorporates certain provisions of the Mello-Roos Act and the California Streets and Highways Code, while identifying certain other provisions that will not apply or that will be modified. Modifications and exclusions of the Mello-Roos Act provisions largely relate to the formation and election process for the Bayfront District, which will require an election of landowners, not registered voters. The Bayfront District special tax will be levied on hotel and campsite operators who may charge the tax through to transient occupants (hotel and campsite visitors). The special tax will not be levied on traditional residential uses. As such, it is more appropriate for the Bayfront District electors to be the landowners, rather than the registered voters of the Bayfront District. There are no persons registered to vote within the boundaries of the Bayfront District.

Staff recommends that Council conduct the public hearings, approve a joint community facilities agreement by and between the City and the Port District for the Bayfront District, form and establish the Bayfront District, authorize submittal of the levy of special tax for the Bayfront District to the qualified electors, deem it necessary to incur a bonded indebtedness of the Bayfront District, and call a special mail ballot election. The City has retained the services of Willdan Financial Services as special tax consultant (the “Special Tax Consultant”), Stradling Yocca Carlson & Rauth as bond counsel, and Best Best & Krieger LLP as legal counsel to provide assistance during the proceedings.

All expenses incurred by the City in undertaking the proceedings to consider the formation of the Bayfront District will be reimbursed from future Bayfront District special tax revenues. All ongoing expenses related to the administration of the Bayfront District (including levying and collecting the special taxes and administering bonds of the Bayfront District) are to be funded from the special taxes of the Bayfront District. The ultimate security for any future bonds issued by the Bayfront District are the properties located within the Bayfront District that are subject to the levy of special taxes by the Bayfront District, not the City’s General Fund or its ability to tax property within its jurisdiction outside of the Bayfront District. The Bayfront District will be formed in conformance with CVMC Chapter 3.61 (Bayfront Project Special Tax Financing District Procedural Ordinance).

District Boundaries

A reduced copy of the recorded boundary map of the Bayfront District prepared by the Special Tax Consultant is presented in Attachment 2.

The boundaries of the Bayfront District include approximately 270 acres of taxable property. The Port District owns approximately 212 acres (79%) of taxable property, the City owns approximately 6 acres (2%) of taxable property, the San Diego Metropolitan Transit System (MTS) owns approximately 4 acres (1.5%) of taxable property, and the remaining approximately 48 acres (17.5%) of taxable property are privately owned.

Eligible Improvements

Pursuant to the Amended & Restated Financing Agreement and CVMC Chapter 3.61, the Bayfront District will be authorized to finance the Convention Center portion of the RHCC Project, transportation and pedestrian facilities, public parks, storm drain facilities, sewer facilities, and other public and private improvements. Attachment 3 lists the types of improvements to be financed by the Bayfront District, including a current cost estimate. A final list and cost estimate of the improvements eligible for Bayfront District financing will be brought to Council in conjunction with a future agreement.

Eligible Services

In addition to authorizing the financing of certain public and private improvements, the Bayfront District will authorize the financing of certain public services within the CVBMP. Attachment 4 shows a proposed list of services, including, but not limited to, operations and maintenance of roadways (including sidewalks, parkways, and medians), parks, and storm drain facilities. Current cost estimates are provided.

Joint Community Facilities Agreement

Bayfront District eligible improvements may be owned by either the City or the Port District and both agencies will provide a portion of the eligible services. Pursuant to California Government Code Section 53316.2, a joint community facilities agreement or joint exercise of powers agreement must be entered into in order for a community facilities district to finance facilities to be owned or operated by a public agency other than the agency that created the district, or to finance services to be provided by a public agency other than the agency that created the district (or any combination thereof).

A Joint Community Facilities Agreement (JCFA) has been negotiated by City and Port District staff and was approved by the Port Board on November 5, 2019 (see Attachment 5). The JCFA sets forth essential terms for the development, operation, maintenance, and servicing of various improvements (a) within the CVBMP, or (b) outside the CVBMP if required by mitigation measures specified within the CVBMP EIR and required to be performed by the City or Port District.

The JCFA establishes the following priorities for allocation of special tax revenues generated by the Bayfront District:

1. Financing the construction of the Convention Center portion of the RHCC Project;
2. Financing the construction of the Phase 1A Infrastructure;
3. Funding the construction of the Parking Garage;
4. Funding the operation, maintenance, servicing and replacement of the Phase 1A Infrastructure;

5. Funding the construction of other public improvements, either (a) within the CVBMP, or (b) outside the CVBMP if required by mitigation measures specified in the CVBMP EIR, to be performed by the City or Port District (the “Other Improvements”); and
6. Funding the operation, maintenance, servicing, and replacement of the Other Improvements.

Proposed Special Taxes

The rate and method of apportionment of the Special Taxes is set forth in Exhibit A of Resolution C. A copy of the Bayfront Project Special Tax Financing District Report (the “District Report”) for the Bayfront District prepared by the Special Tax Consultant is included as Attachment 6, and is on file and available for public review

Property located in the Bayfront District would be subject to the levy of a special tax equivalent to 5% of occupancy-based room rate revenues generated from visitor-serving accommodations located on such property that are subject to the City’s TOT. Property located in the Bayfront District anticipated to be subject to the special tax include hotels and campsites, as well as private residences operating as hotels (i.e. properties offered to the public for short-term rental purposes through Airbnb, Vrbo, etc.). For those properties which do not offer visitor-serving accommodations subject to the City’s TOT, the Bayfront District would have no effect (i.e., private residences not offered to the public for short-term rental purposes, undeveloped land, other commercial uses, or non-operating hotels or campsites).

Collection of Taxes

The proposed special tax would be initially self-assessed and remitted to the City in the same time and manner as the City’s TOT (monthly remittance per Chula Vista Municipal Code). However, should a property fail to self-assess and remit the Bayfront District special tax to the City for such owner’s property, the Bayfront District would have the ability to place such special tax on the ad valorem property tax bill of such owner’s (or leaseholder’s) property. In this circumstance, the City’s Finance Director would determine the amount of the special tax due, including penalties thereon.

Term

The proposed special tax would be assessed for a term not to exceed the longer of: (a) forty years from the first day of the month immediately following the effective date of the ordinance enacted by the City Council providing for the levy of the Special Tax; or (b) the date on which all indebtedness of the Chula Vista Bayfront Facilities Financing Authority, with respect to which District Special Tax revenues have been pledged, has been paid in full.

Value-to-Lien Ratio Policy

Although under Chapter 3.61, the provisions of Council Policy 505-04 (the “Goals and Policies”) do not apply to the Bayfront District, it is nevertheless the intent of the Council, acting as the legislative body of the Bayfront District, that the indebtedness of the Bayfront District be issued in accordance with the applicable provisions of the Goals and Policies. The Goals and Policies require a minimum 4:1 value-to-lien ratio as a precondition to the issuance of bonds of a community facilities district (CFD). A ratio of less than 4:1 but equal to or greater than 3:1 may be approved, in the sole discretion of Council, when it is determined that a ratio of less than 4:1 is financially prudent under the circumstances of a particular CFD.

A final appraisal and lien-to-value ratio analysis will be available for Council consideration prior to the sale of bonds for the Bayfront District. The first bond sale is projected to occur in calendar year 2020. If the final analysis shows parcels that fail to meet the 4:1 or 3:1 ratio, one or more of the following actions would be required:

- The principal amount of the bonds to be issued for the Bayfront District will be reduced to comply with applicable provisions of the Goals and Policies; or
- Sufficient information must be provided to Council to substantiate the prudence of a lesser value-to-lien ratio.

Resolutions

There are five (5) resolutions on today's agenda that, if adopted, will accomplish the following:

Resolution A: The RESOLUTION APPROVING AN AMENDED AND RESTATED REVENUE SHARING AGREEMENT approves modifications to the existing Revenue Sharing Agreement between the City and the Port District. Approval of this resolution prior to taking action on Resolutions B through E is recommended.

Resolution B: The RESOLUTION APPROVING A JOINT COMMUNITY FACILITIES AGREEMENT is the formal action approving a joint community facilities agreement, as required in order to expend Bayfront District funds on Port District land or to reimburse the Port District for providing services to the Bayfront District. Approval of this resolution prior to taking action on Resolutions C through E is recommended.

Resolution C: The RESOLUTION FORMING AND ESTABLISHING THE BAYFRONT SPECIAL TAX FINANCING DISTRICT is the formal action forming and establishing the Bayfront District and authorizing the submittal of the levy of special tax to the qualified electors of the Bayfront District, and performs the following:

- (a) sets the name of the District as the Bayfront Project Special Tax Financing District;
- (b) identifies the District Report prepared by Willdan Financial Services as the report to be used for all future proceedings;
- (c) describes the boundaries of the Bayfront District;
- (d) describes the improvements to be financed by the Bayfront District;
- (e) describes the services authorized to be financed by the Bayfront District;
- (f) establishes a Special Tax, as set forth in the Rate and Method of Apportionment, which will be approved by the adoption of this resolution;
- (g) implements the provisions of the Local Agency Special Tax and Bond Accountability Act which became effective on January 1, 2001, by specifying that:
 - (i) each special tax shall be levied for the specific purposes set forth in the resolution;
 - (ii) the proceeds of the levy of each such special tax shall be applied only to the specific applicable purposes set forth in the resolution;
 - (iii) the Bayfront District shall establish a separate account into which the proceeds of such special tax shall be deposited; and
 - (iv) the City Manager, or his or her designee, acting for and on behalf of the Bayfront District, shall annually file a report with the City Council as required pursuant to Government Code Section 50075.3.

- (h) allows for substitution of improvements as long as facilities provide a service substantially similar to those set forth in the resolution; and
- (i) submits the levy of special tax to the qualified electors.

Resolution D: The RESOLUTION DEEMING IT NECESSARY TO INCUR BONDED INDEBTEDNESS is the formal action of the City Council deeming it necessary to incur a bonded indebtedness of the Bayfront District, and performs the following:

- (a) declares that the public convenience and necessity requires that a bonded indebtedness be incurred by the Bayfront District;
- (b) declares that the purpose of the bonded indebtedness is the financing of improvements;
- (c) describes the territory that will be subject to a levy of a special tax to pay for the bonded indebtedness of the Bayfront District;
- (d) authorizes a maximum bonded indebtedness of \$175,000,000;
- (e) limits the term of the bonds to forty (40) years and limits the interest rate on the bonds to twelve percent (12%), or the maximum rate permitted by law at the time of bond sale;
- (f) further implements the provisions of the Local Agency Special Tax and Bond Accountability Act by specifying that:
 - (i) such bonded indebtedness shall be incurred for the applicable specific purposes set forth in the resolution;
 - (ii) the proceeds of any such bonded indebtedness shall be applied only to the applicable specific purposes set forth in the resolution;
 - (iii) the document or documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account into which the proceeds of such indebtedness shall be deposited;
 - (iv) the City Manager, or his or her designee, acting for and on behalf of the Bayfront District, shall annually file a report with the City Council, acting in its capacity as the legislative body of the Bayfront District, as required by Government Code Section 53411.
- (g) submits a ballot proposition to the qualified electors to incur a bonded indebtedness; and
- (h) calls for a mail ballot special election to be held on February 18, 2020.

Resolution E: The RESOLUTION CALLING AN ELECTION is a formal action submitting to the qualified electors of the Bayfront District three propositions related to the formation of the Bayfront District, and performs the following:

- (a) calls for a mail ballot special election to be held on February 18, 2020;
- (b) submits a proposition to the qualified electors of the Bayfront District to authorize the levy of special taxes;
- (c) submits a proposition to the qualified electors of the Bayfront District to incur a bonded indebtedness of \$175,000,000 for specific purposes;
- (d) submits a proposition to the qualified electors of the Bayfront District to establish an appropriations limit for the Bayfront District;
- (e) authorizes arguments for and against the propositions, argument rebuttals, and directs the City Attorney to prepare an impartial analysis of the propositions; and
- (f) establishes election procedures.

Notice

All qualified electors within the Bayfront District have been notified of the consolidated public hearing through the mail as well as published notice in the Star News.

Future Actions

Adoption of tonight's resolutions call for a mail ballot special election to be held on February 18, 2020. All ballots must be received by the City Clerk by 12:00 p.m. on this date. The qualified electors will be asked to vote on the authorization to levy special taxes, the authorization to incur a bonded indebtedness of the Bayfront District, and to establish an appropriations limit for the Bayfront District. Once the votes are cast, Council will be requested to certify the results of the election. Arguments in favor of or against the propositions and the City Attorney's impartial analysis must be submitted to the City Clerk no later than December 3, 2019. Rebuttal arguments must be filed with the City Clerk no later than December 13, 2019.

Pursuant to CVMC Chapter 3.61, the qualified electors of the Bayfront District will be landowners, i.e., the owners of land within the Bayfront District with each such owner receiving one (1) vote for each acre or a portion of an acre located within the boundaries of the Bayfront District. The Bayfront District will be authorized to levy such special taxes and incur such bonded indebtedness if 2/3rds of the votes actually cast in the election approve the authorization to levy such special tax and the authorization for the Bayfront District to incur a bonded indebtedness secured by such special taxes. The San Diego County Registrar of Voters has certified that there are no persons registered to vote within the proposed boundaries of the Bayfront District (see Attachment 7).

Additional future actions include approval of an Acquisition/Financing Agreement with RIDA to establish the terms and conditions pursuant to which the Bayfront District will finance the acquisition of public improvements required by the Amended & Restated Finance Agreement and the DDA to be constructed by RIDA, the levy of special taxes, and actions associated with the issuance of bonds.

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financing conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, *et seq.*).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

Approving an Amended and Restated RSA and a JCFA has no current year fiscal impact.

All expenses incurred by the City in undertaking the proceedings to consider the formation of the Bayfront District and subsequently authorizing, issuing, and selling bonds of the Bayfront District to finance the

acquisition and construction of eligible public or private facilities will be reimbursed from future Bayfront District bond proceeds or special tax revenues, resulting in no net impact to the General Fund or the Development Services Fund.

ONGOING FISCAL IMPACT

The proposed Amended and Restated RSA creates a framework of equal participation by the City and Port District in receiving Residual Revenues generated by the RHCC Project and in providing operations and maintenance services within the CVBMP area, while also ensuring equal participation in all contemplated funding sources for such expenses. Further, should the Port District elect to use Bayfront District funds to construct the Parking Garage, the Amended and Restated RSA creates two possible paths for the City to be made whole (through either Rental Car Revenues or the RHCC Project Residual Revenues). Lastly, the Amended and Restated RSA prioritizes reimbursing the City from the RHCC Project Residual Revenues for any funds paid to the County pursuant to the County Funding Agreement (priority #2).

The cost to administer the Bayfront District, if established, and the issuance of bonds by the Bayfront District shall be paid from the proceeds of special taxes to be levied within the Bayfront District or the proceeds of bonds issued by the Bayfront District. There is, therefore, no ongoing fiscal impact to the City's General Fund or Development Services Fund as a result of this action.

ATTACHMENTS

1. Amended and Restated Revenue Sharing Agreement Redline
2. Boundary Map
3. Authorized Improvements
4. Authorized Services
5. Joint Community Facilities Agreement
6. District Report
7. Certification of Registered Voters
8. Letter of Concurrence of Election Official

Staff Contact: Tiffany Allen, Development Services Department