

Agenda Report

DATE: SEPTEMBER 8, 2008
TO: CITY COUNCIL
THROUGH: FINANCE COMMITTEE
FROM: CITY MANAGER
SUBJECT: FORMATION OF THE CITY OF PASADENA ANNANDALE
CANYON OPEN SPACE BENEFIT ASSESSMENT DISTRICT

RECOMMENDATION:

It is recommended that the City Council adopt the following resolutions and take the following action:

1. A Resolution of the City Council of the City of Pasadena of Pasadena, California, Initiating Proceedings and Making Certain Designations in Connection with a Proposed Annandale Canyon Open Space Benefit Assessment District;
2. A Resolution of the City Council of the City of Pasadena, California, Approving an Engineer's Report and Declaring Its Intention to Order the Formation of Annandale Canyon Open Space Benefit Assessment District to Levy an Assessment Thereon, and to Issue Assessment Bonds to Represent Unpaid Assessments, and Setting October 27, 2008 as a Public Hearing Date and Taking Certain Other Actions in Connections Therewith;
3. A Resolution of the City Council of the City of Pasadena, California, Approving Ballot Procedures in Connection with the Proposed Formation of the Annandale Canyon Open Space Benefit Assessment District;
4. A Resolution of the City Council of the City of Pasadena, California, Declaring Its Intention to Reimburse certain Expenditures from a Proposed Tax-Exempt Obligation as Required by United States Department of Treasury Regulations Section 1.150-2;

5. Authorize the City Treasurer to purchase the improvement bonds and hold them as an investment in the City's investment portfolio.

BACKGROUND:

Annandale Canyon Estates, LLC, a development company submitted an entitlement application to construct 24 single family homes. The development site referred to as the Annandale Estates property consists of 37 vacant parcels and is approximately 20.6 acres in size. These parcels are located in and along an undisturbed canyon. The City and developer are currently in litigation centering on the timing of the City's environmental review of the project. In November of 2007, the City and the developer entered into an agreement for the acquisition of the property to settle litigation. To that end, the City and the developer have separately entered into a Settlement Agreement and Purchase/Sale Agreement. The completion of the settlement is contingent on the acquisition of the land by the City. The total acquisition is estimated to cost \$7,000,000.

Over the past year the City has researched State, County and federal sources to determine if there are funds available to acquire the site. In April, 2007 the City applied for and received a \$2.5 million grant from the Santa Monica Mountains Conservancy to assist with the acquisition of the site. It was originally anticipated that the neighbors could raise \$3 million. However, after outreach to the neighborhood as well as a telephone and mail survey commissioned by community residents and the City, it was estimated that the community could support an assessment district that will yield approximately \$1,360,000. As a result of this revised information, the City aggressively began to look for other funding options. Working closely with the Emanuel Jones and Associates, discussions were held with State and County officials. Based on these conversations there appears to be support for approximately \$1,700,000 from State and County sources.

Proposed Open Space Assessment District

The proposed District would be formed in accordance with Chapter 4.95 of Title 4 of the City's Municipal Code, the Landscaping and Lighting Act of 1972, Article X111D of the California Constitution and the Proposition 218 Omnibus Implementation Act. In August, 2007, the City retained the services of Koppel & Gruber Public Finance to prepare a report (attached) which (a) describes the boundaries of the District and the zones within (see attached map), (b) the cost of the open space to be acquired, (c) the determination of the general versus special benefit, (d) the contributions of other entities toward the purchase price, (e) the methodology utilized to spread the proposed assessments, and (f) the amount of the total proposed assessment for each parcel and its estimated annual assessment installments (see attached Financing Summary).

The proposed District involves an assessment balloting process and is subject to Proposition 218. Property owners will receive mailed assessment ballots to vote

for or against the District. The ballots are weighted based on the total amount of the proposed assessment to be levied on such parcel. For example, a parcel with a proposed assessment of \$1,000 constitutes twice as many votes as a parcel with a proposed assessment of \$500. If a majority of the weighted votes cast are in favor of the District, the District may be formed.

The recommended action is to (a) initiate the assessment district proceeding, (b) approve the boundaries, (c) preliminarily approve the Engineer's Report, (d) declare the intention to form the District and issue bonds, (e) set October 27, 2008 as the date for a public hearing and to return assessment ballots, (f) approve the balloting procedures, and (g) adopt a reimbursement resolution allowing for reimbursement of City funds which may be advanced pending issuance of assessment bonds and receipt of bond proceeds.

Subject to approval of the staff recommendation, Assessment Ballots will be mailed giving property owners at least 45 days notice of the public hearing. On October 27, 2008, the ballots which are returned will be opened and tallied. To pass, the District would need to have 50% or more of the returned weighted ballots in favor of the proposed District's formation. If the District passes, the Council would have the opportunity on October 27, 2008 to approve a resolution forming the District and levying the assessments. The property owners would then receive an assessment as part of their property taxes adjusted by the County. Following this period assessment bonds will be issued secured by the assessment.

Given the size of the assessment bonds, \$1,364,000, less any amounts pre-paid it is proposed that rather than issue them to the investment community, the City hold the assessment bonds as part of its investment portfolio with an interest rate of 6%. This would eliminate costs such as underwriting discount and the need to maintain a reserve fund, thus maximizing the amount of money available towards acquisition.

Section X (13) of the City's investment policy allows the City to hold "bonds, notes, warrants or other indebtedness of any local agency within this state..." Government Code Section 53601(a) allows the City to hold bonds issued by the [City]. The Investment Policy and the Government Code stipulates that no investment shall be made in securities with maturities in excess of five years without express authority from the legislative body. Pursuant to the City's investment policy, the City Treasurer has been authorized to invest in securities with stated maturities exceeding five years in the Power Reserve portfolio and in bond reserve funds. In order to facilitate the financings as outlined, staff is recommending City Council authorization to hold the assessment bonds for maturities in excess of five years.

The proposal provides that should a citywide assessment district, which includes open space improvements be formed in the future, the City would have the option of combining this proposed assessment with the City-wide assessment thereby avoiding two open space assessments.

Community Participation

Over the past several months staff has been working closely with representatives of the Linda Vista/Annandale Neighborhood Association including property owners immediately adjacent to the proposed parcels to be acquired regarding the establishment of an open space assessment district. This group has been helpful in shaping the boundary district and the four assessment zones within the boundary area. The group was also instrumental in assisting with preparation of an information packet containing most frequently asked questions and answers regarding assessments districts.

In May, 2008 the City and representatives of the neighborhood association agreed to commission a consultant to conduct a telephone and mail survey to determine if there is support for the proposed assessment district. Specifically, BW Research Partnership Inc. was retained to determine whether property owners are willing to pay an assessment fee to assist with the cost of acquiring the open space site.

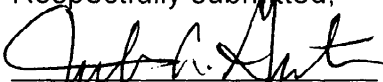
FISCAL IMPACT:

The estimated total acquisition cost (including closing costs) of the open space land is approximately \$7,000,000. A grant from the Santa Monica Mountain Conservancy in the amount of \$2,500,000 has been secured. The assessment district if approved will generate \$1,364,000 toward the purchase price. It is proposed that the City issue a 1915 Act Special Assessment Bond to raise the \$1,364,000. In order to reduce issuance cost, it is recommended that the City purchase the bond and hold it in the City's investment portfolio. Interest and principal on the bonds will be paid by the property owners within the district through special assessments on their property tax bills. The assessment bonds will earn 6% per annum. Of the remaining balance of \$3,136,000, the City has agreed to fund \$1,500,000 and the difference of \$1,636,000 is expected to be funded from State and County grants to the extent available, and if not, from the Key Projects and Initiatives reserves. The following represents the sources of funds:

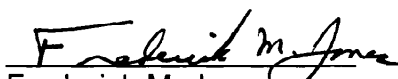
\$2,500,000 Santa Monica Mountains Conservancy
\$1,500,000 City of Pasadena
\$1,364,000 Assessment bond to be purchased by the City of Pasadena
\$1,636,000 State, County or City funds
\$7,000,000

The City will incur ongoing maintenance costs for the open space estimated not to exceed \$50,000 per year.


Respectfully submitted,


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City Manager

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Frederick M. Jones
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Approved by:


Richard Bruckner
Director, Planning & Development

Concurrence:


Steve Mermell
Acting Director of Finance

ATTACHMENTS

- Engineer's Report
- Community Schedule
- Map of Benefit Assessment District
- Financing Summary