

RESOLUTION NO. 16-26

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILL VALLEY
ADOPTING AN AMENDED AND RESTATED STATEMENT OF GOALS AND
POLICIES FOR THE USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT
OF 1982**

R E C I T A L S

WHEREAS, the City Council of the City of Mill Valley (the "City") proposes to undertake proceedings pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), to form a community facilities district; and

WHEREAS, Section 53312.7(a) of the California Government Code provides that a local agency may initiate proceedings to establish a community facilities district pursuant to the Act only if it has first considered and adopted local goals and policies concerning the use of the Act; and

WHEREAS, this City Council has considered and adopted local goals and policies concerning the use of the Act (the "Goals and Policies") pursuant to its Resolution No. 96-21 adopted on July 1, 1996; and

WHEREAS, subsequent to the adoption of the Goals and Policies, Government Code Section 53312.7(a) was amended, effective January 1, 2008, to provide that local goals and policies, in addition to the matters previously required to be addressed, must now also contain a statement of the priority that various services shall have for financing under the Act, including services to be provided by other public agencies; and

WHEREAS, the City Council desires to amend and restate the Goals and Policies in accordance with the requirements of Government Code Section 53312.7(a), as amended; and

WHEREAS, attached hereto as Attachment A is a compilation of such goals and policies (the "Goals and Policies") in accordance with the requirements of Government Code Section 53312.7(a); and

WHEREAS, this City Council desires to adopt the Goals and Policies as the City's local goals and policies concerning the use of the Act;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MILL VALLEY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1: The City Council hereby adopts the Goals and Policies as the City's local goals and policies concerning the use of the Act.

Section 2: The City Manager is hereby authorized and directed to take any actions and do any things which the City Manager may deem necessary or desirable in order to accomplish the

purposes of this Resolution and all such actions previously undertaken by the City Manager are hereby ratified.

Section 3: This Resolution shall take effect immediately upon its adoption.

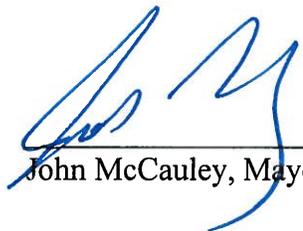
PASSED AND ADOPTED by the City Council of the City of Mill Valley on this **20th** day of **June 2016**, by the following vote:

AYES: Councilmembers: McEntee, Moulton-Peters, Wickham, Sloan, McCauley.

NOES: None.

ABSENT: None.

ABSTAINED: None.



John McCauley, Mayor

Attest:



Seth Allingham
Deputy City Clerk/Administrative Analyst

ATTACHMENT A

CITY OF MILL VALLEY STATEMENT OF GOALS AND POLICIES CONCERNING USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

I. INTRODUCTION

Section 53312.7(a) of the California Government Code requires that pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act") the City of Mill Valley (the "City") consider and adopt local goals and policies concerning the use of the Act prior to the initiation of proceedings to establish a new community facilities district ("CFD") under the Act. The following goals and policies are intended to meet the minimum requirements of the Act, and may be amended or supplemented by the City Council of the City (the "City Council") at any time.

The City has adopted this document to set forth its goals and policies for the use of the Act pursuant to Section 53312.7 of the Act. In each and every circumstance, the decision as to whether or not the City will make use of the Act is a decision that will be made solely by the City. Nothing contained herein shall be construed as obligating the City to make use of the Act in any circumstance or as granting to any person any right to have the City make use of the Act in any circumstance.

II. GOALS

Except as otherwise provided herein, only those public improvements that benefit the particular development, but which also provide a community-wide benefit at large, will be considered for financing.

The City shall make the determination as to whether a proposed district shall proceed under the provisions of the Act. The City may confer with consultants to learn of any unique CFD requirements, such as facilities serving the regional area, and whether the district will be a construction, acquisition, or City services district, or some combination of the foregoing, prior to making any final determination.

III. ELIGIBLE PUBLIC FACILITIES AND SERVICES

Generally, the improvements eligible to be financed by a CFD must have a useful life of at least five (5) years and must be owned by the City or another public agency. In some cases, up to five percent of the proceeds of an issue may be used for privately-owned facilities owned and operated by a privately-owned public utility and the funding of facilities to be owned by a public utility shall be considered on a case-by-case basis. The development or redevelopment proposed within a CFD must be consistent with the City's General Plan and must have received any required legislative approvals such as zoning or specific plan approvals prior to the issuance of bonds. The City Council may approve a CFD that includes some lands without legislative approvals if the improvements are consistent with the City's General Plan and the City Council

finds the improvements are required in the public interest. A CFD shall not vest any rights to future land use on any properties, including those that are responsible for paying special taxes.

Subject to Section II hereof, the list of eligible public facilities include, but are not limited to, the types of facilities specified in Government Code section 53313.5, as it currently exists or may hereafter be amended.

The funding of public facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the City, or the proposed facilities are otherwise consistent with approved land use plans for the property, the City may consider entering into a joint community facilities agreement or joint exercise of powers agreement in order to finance these facilities.

The City will consider on a case-by-case basis CFDs established for the provision of services eligible to be funded under the Act, including services to be provided by other public agencies. Eligible services are as specified in the Act, as it currently exists or may hereafter be amended.

IV. ACQUISITION PROVISIONS

Unless as otherwise provided by the City, the following provisions will apply concerning the acquisition of public facilities with CFD funds:

- The delivery to the City of all deeds, easements, or other documents necessary to complete the transfer of title to the improvements and the land or interests in land on which the improvements have been constructed.
- Issuance of a title insurance policy in favor of the City that ensures clear title to the land or interests in land to be conveyed to the City.
- The delivery to the City of a certified copy of the "Notice of Completion" filed with the County Recorder's Office thirty-five (35) days prior to acceptance of the improvements.
- The delivery to the City of lien waivers or releases from all contractors, subcontractors, and suppliers associated with construction of the improvements; or, in cases where this is not practical, other equivalent security such as a lien-free endorsement from a title company.
- Any other documentation required pursuant to an acquisition agreement.

V. PRIORITIES FOR CFD FINANCING UNDER THE ACT

Priority for CFD financing shall be given to public facilities which: (a) are necessary for economic development, or (b) are otherwise incident to an economic development project. If appropriate, the City shall prepare a public facilities financing plan as a part of the specific plan or other land use document that identifies the public facilities required to serve a project, and the type of financing to be utilized for each facility.

The eligibility of a facility for financing and the priority for the financing of facilities will be determined at the sole discretion of the City.

In general, none of the services authorized to be provided under the Act shall have priority over the others. The eligibility of a service for financing and the priority for the financing of services will be determined at the sole discretion of the City.

VI. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES

It is the policy of the City to comply with all provisions of the Act including, but not limited to, Section 53345.8, as such Section may be amended from time to time. It is the goal of the City to conform, as nearly as practicable, to the California Debt and Investment Advisory Commission's Appraisal Standards for Land-Secured Financings, as such standards may be amended from time to time, provided, however, that this City Council may additionally amend such standards from time to time as it deems necessary and reasonable, in its own discretion, to provide needed public improvements within the City, while still accomplishing the goals set forth herein.

Unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act, the district property value-to-lien ratio shall be at least 3:1 after calculating the value of the public facilities to be financed, and considering any prior or pending special taxes or assessment liens. The City may require a higher value-to-lien ratio in its discretion, in consideration of current market and related conditions.

Property value may be based on either an appraisal or on assessed values as indicated on the County assessor's tax roll. The City shall select the appraiser, and the appraisal shall be based on standards promulgated by the State of California and otherwise determined applicable by City staff and consultants. The appraisal must be dated within three months of the date the bonds are issued.

Less than a three to one value to lien ratio (as described above), excessive tax delinquencies, a substantial amount of vacant land, or other factors may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any security required to be provided by the applicant may be discharged by the City upon the opinion of a qualified appraiser, retained by the City, that a value-to-lien ratio of three to one has been attained per land use category, including any overlapping special assessment or special tax liens.

As an alternative to providing other security, the applicant may request that a portion of the bond proceeds be placed in escrow with a corporate agent in an amount sufficient to assure a value-to-lien ratio of at least three to one on the outstanding proceeds. The use of an escrow bond structure shall be in the sole discretion of the City. If an escrow necessary to assure a value-to-lien ratio of at least three to one per land use category, including any overlapping special assessment or special tax liens.

The City may, at its option, require a financial feasibility report prior to the formation of the CFD if fifty percent or more of the land within the CFD is substantially undeveloped. The report

shall be prepared by or at the direction of the City. All costs for preparing the report shall be borne by the applicant/developer. An estimate of the report cost shall be made prior to initiating the study and the applicant/developer shall deposit the cost prior to starting the report.

For new development, prior to the issuance of bonds, the applicant/developer must submit a financial plan which demonstrates to the City's satisfaction the applicant/developer's ability to pay all special taxes through build out of the project.

VII. DISCLOSURE REQUIREMENTS FOR PROSPECTIVE PROPERTY PURCHASERS

- A. Disclosure Requirements for Developers. Developers who are selling lots or parcels that are within a CFD shall provide disclosure notice to prospective purchasers that comply with all of the requirements set forth in Section 53341.5 of the Government Code, as it now exists or may hereafter be amended. The disclosure notice must be provided to prospective purchasers of property at or prior to the time the contract or deposit receipt for the purchase of property is executed. Developers shall keep an executed copy of each disclosure document as evidence that disclosure has been provided to all purchasers of property within a CFD.
- B. Disclosure Requirements for the Resale of Lots. Pursuant to Section 53340.2 of the Act, the City Finance Department shall provide a notice of special taxes to sellers of property (other than developers), which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. The City shall provide this notice within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

VIII. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Special tax formulas for CFDs shall provide for minimum special tax levels which satisfy the following: (a) 110 percent debt service coverage for all CFD bonded indebtedness (or such lower percentage determined by City's financial advisor and underwriter to be fiscally prudent), (b) the reasonable and necessary annual administrative expenses of the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of services, (f) the cost of acquisition, construction, furnishing or equipping of facilities, (g) lease payments for existing or future facilities, (h) costs associated with the release of funds from an escrow account, and (i) any other costs or payments permitted by law. In structuring the special tax, projected annual interest earnings on bond reserve funds may not be included as revenue for purposes of the calculation.

The special tax formula shall be reasonable and equitable in allocating public facilities' and services' costs to parcels within the CFD. Exemptions from the special tax may be given to parcels, which include but are not limited to, parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

The maximum annual special tax, together with ad valorem property taxes, special assessments and special taxes for an overlapping financing district, including such potential taxes and assessments relating to authorized but unissued debt of public entities other than the City and any other governmental taxes, fees, and charges secured by the property (collectively, the "Overlapping Debt Burden"), in relation to the expected assessed value of each parcel upon completion of the private improvements to the parcel is of great importance to the City in evaluating the proposed financing.

For residential parcels, the Overlapping Debt Burden shall not exceed two percent (2.0%) of the projected assessed value of each improved parcel within the district. As it pertains to commercial, industrial, or other parcels within the district, the City reserves the right to exceed the two percent (2.0%) limit if, in the City's sole discretion, it is fiscally prudent. The City, in its sole discretion, may allow an annual escalation factor on parcels within a district.

The rate and method of apportionment of the special tax shall include a provision for a backup tax to protect against any changes in development that would result in insufficient special tax revenues to meet the debt service requirements of the district. Such backup tax shall be structured in such a manner that it shall not violate any provisions of the Act regarding cross-collateralization limitations for residential properties.

IX. APPRAISALS

Pursuant to the Act, property value may be based either on an appraisal or on full cash value as indicated on the County Assessor's tax roll. The definitions, standards and assumptions to be used for appraisals shall be determined by City on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California, including the Appraisal Standards for Land-Secured Financings prepared by the California Debt and Investment Advisory Commission. In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent Member Appraisal Institute ("M.A.I.") appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of the City. All costs associated with the preparation of the appraisal report shall be paid by the entity requesting the establishment of the CFD through the advance deposit mechanism.

X. ABSORPTION STUDY

An absorption study of any proposed development project may be required for land secured financing. The absorption study shall be used A) as basis for verification that sufficient revenues can be produced; and B) to determine if the public financing of the public facilities is appropriate

given the timing of the development. Additionally, the projected absorption rates will be provided to the appraiser for use in an appraisal.

XI. TERMS AND CONDITIONS OF BONDS

The City shall establish all terms and conditions of the bonds. The City will control, manage and invest all CFD issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or rating of the City. These security measures could include a combination of credit enhancement, foreclosure covenant, special reserve fund or deposits and/or a contractual commitment by the proponents and successors to pay the special taxes during the initial development stages of the development project. The City has the sole discretion to determine the types of credit enhancement, foreclosure covenant and reserve fund that may be required.

All statements and material related to the sale of bonds shall state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond indenture, and the proceeds of foreclosure proceedings and additional security instruments provided at the time of bond issuance.

The City is under no obligation to issue tax-exempt debt. The ability to issue tax-exempt debt depends upon the particular facts and circumstances of each CFD. If the City, in its sole discretion determines to issue tax-exempt debt, the developer must agree to cooperate in connection with any covenants or other requirements of state and/or federal tax law that may be necessary in order for the City to issue tax-exempt debt.

In the event there are surplus funds generated through the creation of the CFD and the sale of bonds, these surplus funds shall be used as follows, subject to the approval of bond counsel:

1. The Council may direct staff to use all or a portion of the surplus to offset the annual levy of special taxes to property owners in following years in a manner consistent with the Act. Under this policy, an amount of up to 5% of the total bond issue size not to exceed \$1 million may be used to offset the annual levy without further Council action.
2. Any amount in excess of that used to offset the annual levy described in (1) above will be used to call bonds at an appropriate call date, as determined by staff and the City's financial advisor.

XII. RESPONSIBLE DEPARTMENT

The Finance Department is designated as the department of the City responsible for: (i) preparing the annual roll of special tax obligations with respect to any CFD; (ii) providing information to interested persons regarding the current and estimated future tax liability of owners or purchasers of real property subject to the special tax lien; and (iii) furnishing notices of special tax as required by applicable law.

Subject to the policies of the City, and as permitted by applicable law, the Finance Department may obtain the assistance of a qualified consultant to perform any of the duties set forth above, and to charge the cost of such consultant to the administrative costs of the CFD.

XIII. TRANSPARENCY AND NOTIFICATION

The City will take the following steps to ensure that prospective property purchasers are fully informed about their taxing obligations imposed under applicable laws:

1. Conduct all proceedings in the manner required by the Ralph M. Brown Act (Section 54950 and following of the California Government Code);
2. Cause a map of the boundaries of any proposed district to be recorded, pursuant to Section 3111 of the California Streets and Highways Code, in the Office of the County Recorder within 15 days following the adoption of a resolution of to form that District, pursuant to Section 53321 of the Act;
3. It will give notice, pursuant to applicable laws, prior to holding any public hearing on the establishment of a district;
4. It will record a notice of special tax lien, in the form specified by Section 3114.5 of the California Streets and Highways Code, within 15 days of the City Council's determination that the requisite number of voters are in favor of the levy of a special tax in connection with a district. Such notice will include, among other information:
 - i. A description of the rate, method of apportionment, and manner of collection of the authorized special tax;
 - ii. Information about the conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled;
 - iii. The name(s) of the owner(s) and the assessor's tax parcel number(s) of the real property included within the community facilities district and not exempt from the special tax; and
 - iv. The name, address and telephone number of the Finance Department, so that the Finance Department may be contacted to obtain further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to the special tax lien.
5. It will, through the Finance Department, furnish a notice of special tax, in the form required by law to any individual requesting the notice or any owner of property subject to a special tax levied by the City within five working days of a request for such notice. The City may charge a reasonable fee for this service, not to exceed \$10.00.

XIV. EXCEPTIONS TO THESE POLICIES

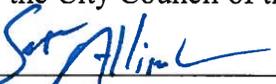
The City may, in its discretion and to the extent permitted by law, waive any of the policies set forth herein in particular cases.

XV. MODIFICATION OF THESE POLICIES

The City Council reserves the right to modify or amend these Goals and Policies at any time and from time to time by resolution.

Certification

I, Seth Allingham, City Clerk of the City of Mill Valley, certify that this is a true and correct copy of the Goals and Policies for Mello-Roos Community Facilities District Financings adopted on June 20, 2016 by Resolution No. 1626 of the City Council of the City of Mill Valley,



Seth Allingham
Deputy City Clerk/Administrative Analyst

Date: 8/8/16