



San Bernardino County

Legislation Text

File #: 3495, Agenda Item #: 66

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
SITTING AS THE GOVERNING BOARD OF THE FOLLOWING:
COUNTY OF SAN BERNARDINO
SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
AND RECORD OF ACTION**

January 5, 2021

FROM

LEONARD X. HERNANDEZ, Chief Executive Officer, County Administrative Office

SUBJECT

Resolution and Public Hearing for County and Flood Control District Participation in Statewide Community Infrastructure Program

RECOMMENDATION(S)

1. Acting as the governing body of San Bernardino County:
 - a. Conduct a consolidated public hearing with the San Bernardino County Flood Control District to consider participation by the County of San Bernardino in the Statewide Community Infrastructure Program.
 - b. Adopt a resolution approving participation in the Statewide Community Infrastructure Program and approving the form of an acquisition agreement.
2. Acting as the governing body of the San Bernardino County Flood Control District:
 - a. Conduct a consolidated public hearing with the County to consider the San Bernardino County Flood Control District's participation in the Statewide Community Infrastructure Program.
 - b. Adopt a resolution approving the California Statewide Communities Development Authority Joint Powers Agreement and becoming a member of the California Statewide Communities Development Authority.
 - c. Adopt a resolution approving participation in the Statewide Community Infrastructure Program and approving the form of an acquisition agreement.

(Presenter: Luther Snoke, Chief Operating Officer, 387-5425)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this recommendation will not result in the use of Discretionary General Funding (Net County Cost). Participation in the Statewide Community Infrastructure Program (SCIP) allows developers to agree to have the cost of public infrastructure required by the County of San Bernardino (County) and/or San Bernardino County Flood Control District (District) financed by the issuance of tax-exempt bonds by the California Statewide Communities Development Authority (CSCDA). Subject to the property owner's affirmative vote, CSCDA will impose a special assessment on the developer/owner's property to repay the portion of the bonds

issued to finance the infrastructure with respect to the property. This allows for re-payment where appropriate from developing agencies or property owners via the tax roll. If financing occurs, the County will incur administrative costs associated with property owner notification, funds administration and to levy and collect fees, and may charge an administrative fee for staff time related to these activities.

BACKGROUND INFORMATION

The 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 391 cities and 57 counties throughout California, including the County.

The SCIP was instituted by CSCDA in 2002 to allow owners of property in participating cities and counties to finance the development impact fees and/or the cost of public infrastructure and facilities that would be required from developer/property owners upon receiving development entitlements or building permits. The program was expanded to include financing of public capital improvements directly. If a developer/property owner chooses to participate, the selected public capital improvements and the development impact fees (if any) owed to the County/District will be financed by the issuance of tax-exempt bonds by CSCDA. Subject to the property owner's affirmative vote, CSCDA will impose a special assessment on the owner's property to repay the portion of the bonds issued to finance the public capital improvements and/or fees paid with respect to the property. Since its inception, SCIP has financed approximately \$600 million of bonds for local projects.

The benefits to property owners from the County/District participating in SCIP include:

- Only property owners/developers 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 developer 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. Because SCIP is a fixed lien assessment, payments will not escalate over time and no property owner is in any way responsible for another property's assessment.
- For homebuyers, paying for the costs of public infrastructure through a special assessment may be 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. However, mortgage interest is generally deductible from one's income taxes and special assessments are generally not tax deductible.
- Developers 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 community facilities district had access to tax-exempt financing. SCIP can finance project amounts as low as \$500,000.

The benefits to the County of participating in SCIP include:

- As in conventional assessment financing, the County 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 can provide tax-exempt financing to developers 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, counties and other public agencies cushion the impact of rising public capital improvements costs and development impact fees on developers and property owners.
- The availability of financing can encourage developers to pull permits and pay fees in larger blocks, giving the participating county/district 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 for use on public infrastructure, or fee credits to developers/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 resolutions provide for the District to become a member of CSCDA (the County is already a member of CSCDA) and authorize CSCDA to accept applications from owners of property within the County or District to apply for tax-exempt financing of public capital improvements and development impact fees through SCIP. They also authorize CSCDA to form assessment districts within the County's and District's boundaries, conduct assessment proceedings and levy assessments against the property of participating owners. The resolutions approve the form of an Acquisition Agreement, attached to the resolution as Exhibit B, to be entered into between the County/District 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. The Acquisition Agreement for each CSCDA approved project application will be brought forward for Board review and approval prior to proceeding with the tax-exempt financing and formation of any assessment districts.

No specific project is being approved by the recommended actions. Therefore, the actions are not subject to review under the California Environmental Quality Act.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Robert F. Messinger, Principal Assistant County Counsel, 387-5455) on December 1, 2020; Finance (Stephenie Shea, Administrative Analyst, 387-4919) on December 9, 2020; and County Finance and Administration (Matthew Erickson, County Chief Financial Officer, 387-5423) on December 9, 2020.