

Eastmark Community Facilities District No. 1 Board Report

DATE: April 3, 2014

TO: Eastmark CFD No. 1 Board

THROUGH: Chris Brady, District Manager

FROM: Michael Kennington, Chief Financial Officer
Chuck Odom, Senior Executive Manager

SUBJECT: -Formation of Eastmark Community Facilities District (CFD) No. 1 – Assessment District No. 2
-Issuance of General Obligation Bonds

**Strategic
Initiatives:**



Purpose and Recommendation:

Staff is recommending the approval of the Resolution of Intention related to the formation of Eastmark CFD No. 1 – Assessment District No. 2 and the Resolutions of Intention related to the issuance of general obligation bonds for certain improvements benefitting Eastmark CFD No. 1.

If the Board approves, the attached resolutions will define the public infrastructure to be constructed and financed. The resolutions will also define the special assessment district and levy necessary to secure the financing for both the special assessment revenue and general obligation bonds.

Background:

The CFD has received Feasibility Reports prepared by the Developer, relating to certain public infrastructure described in the General Plan of the CFD to be financed with the proceeds of both the special assessment revenue bonds of Assessment District No. 2 and the general obligation bonds. The Feasibility Reports include, among other things, (i) a description of the public infrastructure to be acquired (the "Project"), (ii) an estimate of the cost to acquire, operate and maintain the Project, (iii) an estimated schedule for completion of the Project, (iv) a map or description of the area to be benefitted by the Project, and (v) a plan for financing the Project, all as required by A.R.S. § 48-715. The Board is required to hold a public hearing

regarding the Feasibility Reports. The Notice of Public Hearing was published not less than 10 days in advance of the hearing, to be held on April 3, 2014. At the hearing, the Governing Board may reject, amend or approve the Feasibility Report(s).

Assuming the Board approves the Feasibility Report related to Assessment District No. 2, the Board will consider the Resolution of Intention which will approve the Feasibility Report and the financing of certain public infrastructure within Assessment District No. 2 and declare the CFD's intention to acquire and ordering the work to performed with regards to the public infrastructure described in the Feasibility Report. In addition, the Resolution of Intention will form Assessment District No. 2 within the CFD and determine that Special Assessment Revenue Bonds of Assessment District No. 2 will be used to finance the Project costs, including incidental costs (costs of issuance) and a debt service reserve fund.

Finally, the Resolution of Intention related to Assessment District No. 2 declares the public infrastructure to be more than local or ordinary public benefit and that the cost of such public infrastructure will be assessed upon the Assessment District. In this case, the public infrastructure financed with the Special Assessment Revenue Bonds is comprised of two roads (Phase 2 for both Eastmark Parkway and Everton Terrace) and the hardscape at neighborhood entries within the district, all of which are expected to be completed by July 2014 that will be acquired by the CFD upon issuance of the Special Assessment Revenue Bonds.

Supposing the Board approves the Feasibility Report related to Eastmark CFD District No. 1, the Board will consider the Resolutions of Intention which will approve the Feasibility Report and the financing of certain improvements benefiting the Eastmark Community Facilities District No. 1 and declare the CFD's intention to acquire certain improvements as described in the Feasibility Report. In this case, the improvement financed with this general obligation bond issuance is for Phase 1 of Ray Road. In addition, the Resolutions of Intention will authorize the issuance of its general obligation bonds, to be used to finance the Project costs, and the corresponding levying of an ad valorem tax on taxable property in the Eastmark Community Facilities District No. 1.

Bond proceeds will be used to acquire the Project(s) from the Developer. After the Project(s) has been acquired, the City shall accept the Project(s) as property of the City available for use by the general public. The acceptance of the Project by the City triggers the reimbursement of the Developer from bond proceeds for the cost of the Project(s).

For the Assessment District No. 2 Project, the City Engineer, serving as CFD Engineer, allocates the Project costs among the developable lots within Assessment District No. 2 benefitting from the Project. For the Eastmark CFD No. 1 Project, the CFD Engineer allocates the Project costs among the developable lots within the Eastmark CFD No. 1 benefitting from the improvements. The City Engineer, acting a Superintendent of Streets, is directed by the Resolutions of Intention to prepare an assessment not greater than the Project costs. The assessment diagram of the area to be assessed, prepared by the CFD Engineer, and filed with the City Clerk, acting as Clerk

of the CFD, is approved by the Resolution of Intention, and the Clerk is directed to certify the fact of such approval and deliver a copy of the diagram to the Superintendent of Streets.

Alternatives

The Board may choose not to approve the proposed resolutions at this time. This is not recommended; such action would be inconsistent with the development agreement previously approved with the Developer.

Fiscal Impact

In addition to acquiring the Project, the Resolutions of Intention also provide an estimate of the costs and expenses of the Projects. For the Assessment District No. 2 Project, this shall not exceed \$3,370,000 (approximately the number of lots within Assessment District No. 2 (963), multiplied by the assessment lien of \$3,500 per lot. Based on the recent Appraisal of Assessment District No. 2, the \$3,500 assessment lien represents a value-to-lien ratio on a per lot basis of approximately 6-to-1. For the Eastmark CFD No. 1 Project, this shall not exceed \$3,500,000 of bond principal.