

Eastmark Community Facilities District No. 1 Board Report

Date: January 22, 2015

To: Eastmark CFD No. 1 Board

Through: Chris Brady, District Manager

From: Michael Kennington, Chief Financial Officer

Subject: Formation of Eastmark Community Facilities District (CFD) No. 1 –
Assessment District No. 3

Strategic Initiatives



Purpose and Recommendation

Staff is recommending the approval of the Feasibility Report, Resolution of Intention and Resolution Ordering the Work related to the formation of Eastmark CFD No. 1 – Assessment District No. 3.

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.

Background

The CFD has received a Feasibility Report prepared by the Developer, relating to certain public infrastructure described in the General Plan of the CFD to be financed with the proceeds of special assessment revenue bonds of Assessment District No. 3 and includes, 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 Report. The Notice of Public Hearing was published not less than 10 days in advance of the hearing, to be held on January 22, 2015. At the hearing, the Governing Board may reject, amend or approve the Feasibility Report.

Assuming the Board approves the Feasibility Report, 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. 3 and declare the CFD's intention to acquire the public infrastructure described in the Feasibility Report. In addition, the Resolution of Intention will form Assessment District No. 3 within the CFD and determine that Special Assessment Revenue Bonds of Assessment District No. 3 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 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 the construction of a new roadway within the district – Eastmark Parkway. Completion is expected to be completed in January 2015 which will be acquired by the CFD upon issuance of the Special Assessment Revenue Bonds.

The Special Assessment Revenue Bonds will be secured solely by the assessment lien levied by the Board against the benefitted property. The failure to pay an assessment lien, when due, results in an accelerated foreclosure process. The delinquent property, after required notice is provided, is sold at a public sale. A foreclosure sale could occur as quickly as 30 days from the date of delinquency.

The Board will be asked to approve a Resolution Ordering the Work. It orders the Project be acquired and approves an assessment diagram and the levying of an assessment within Assessment District No. 3.

Bond proceeds will be used to acquire the Project from the Developer. After the Project has been acquired, the City shall accept the Project 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.

The City Engineer, serving as CFD Engineer, allocates the Project costs among the developable lots within Assessment District No. 3 benefitting from the Project. The City Engineer, acting as Superintendent of Streets, is directed by the Resolution Ordering the Work 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 Ordering the Work, 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 Resolution Ordering the Work also provides an estimate of the costs and expenses of the Project, which shall not exceed the number of lots within Assessment District No. 1 (555), multiplied by the assessment lien of \$3,500 per lot (\$1,942,500).