

NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Tracy City Council** is hereby called for:

Date/Time: **Tuesday, November 3, 2015, 5:00 p.m.**
(or as soon thereafter as possible)

Location: **Room 203, City Hall**
333 Civic Center Plaza, Tracy

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Tracy City Council on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. Call to Order
2. Roll Call
3. *Items from the Audience - In accordance with Procedures for Preparation, Posting and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052 any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Council Member to sponsor the item for discussion at a future meeting.*
4. UPDATE, DISCUSSION, AND WORKSHOP ON: A DEVELOPMENT AGREEMENT WITH TRACY HILLS LLC., PROVIDING APPROPRIATE FIRE SERVICES TO THE TRACY HILLS PROJECT, AND A PROPOSED COMMUNITY FACILITIES DISTRICT TO FUND PUBLIC SERVICES AND CAPITAL IMPROVEMENTS
5. Adjournment



Mayor

Posted: November 2, 2015

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6105), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Tracy City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

AGENDA ITEM 4

REQUEST

UPDATE, DISCUSSION, AND WORKSHOP ON: A DEVELOPMENT AGREEMENT WITH TRACY HILLS LLC., PROVIDING APPROPRIATE FIRE SERVICES TO THE TRACY HILLS PROJECT, AND A PROPOSED COMMUNITY FACILITIES DISTRICT TO FUND PUBLIC SERVICES AND CAPITAL IMPROVEMENTS

EXECUTIVE SUMMARY

This agenda item requests that the City Council conduct a workshop on three topical areas including a proposed development agreement (DA) with Tracy Hills, the Fire Department's plan for service to the Tracy Hills project site, and a Community Facilities District (CFD) intended to fund required capital infrastructure and public services.

DISCUSSION

At the last City Council update related to the DA, held on December 13, 2013, direction was given to proceed and provide additional information related to several aspects of the Tracy Hills project. This workshop is intended to provide a forum for City Council discussion and direction related to these aspects. A number of processes are concurrently underway related to Tracy Hills, including public review of a Recirculated Draft Subsequent Environmental Impact Report (EIR) and a revised Specific Plan, drafting of Conditions of Approval for the first phase of the project, and completion of documentation for a Community Facilities District that will be used to support funding for both the capital infrastructure and public services to the project.

Basic Proposed Terms of a DA with Tracy Hills LLC

As discussed with City Council on December 13, 2013, the majority of the Tracy Hills DA bullets relate to securing commitments for infrastructure and providing a high level of predictability in City requirements so that the private investments in the project can be made more secure. Briefly, the main negotiated points are as follows:

Developer Benefits

- Vesting Rights – the main benefit through the DA is the right to develop under the existing laws of the City at the time the DA is approved.
- Long term Community Facilities District (CFD) to finance project infrastructure – the intent of including this language in the DA is to establish that the City will participate in the formation of the CFD.
- Timing of program infrastructure funding – the intent of this provision is to establish clear deadlines for funding payments for infrastructure.
- Use of interim infrastructure – the intent is to establish a flexible approach to delivering required infrastructure, including fire stations.
- Use of a Home Owners' Association for the maintenance of landscaped areas (excluding parks) – the intent of this provision in the DA is to provide a

mechanism whereby the significant landscape design envisioned in the Specific Plan is maintained to a high standard, yet provides the City the ability to step-in with CFD funds should the landscaping fall below an acceptable level of maintenance.

Public Benefits

- Up to \$5 million for additional community recreational facilities, programs, or improvements or other recreational needs as determined by the City Council at a future date.
- The dedication of 30 acres of parkland located south of I-580 for a future Community Park, which is above the approximately 15-acre Community parkland requirement that would otherwise be required. Accepting such a provision is an important City Council decision because it establishes that Tracy Hills is the desired location for the Community Park. Per the City's Parks Master Plan, there are a number of anticipated sites for a Community Park, including Tracy Hills. By locating it in Tracy Hills, this Community Park will not be located elsewhere in the community, signifying that other projects' Community Park development impact fees would be invested in the Tracy Hills Community Park.
- In addition to the required neighborhood parks and the Community Park mentioned above, an integrated open space system open to the public that will include approximately 150 acres of open space with no less than \$1.5 million in developer funding (above the required park fees) to enhance the open space area with trails and other amenities that will be the subject of future planning and design studies to be approved by the City.

Community Facilities Districts

The Mello-Roos Community Facilities Act (Act) [Section 53311 et seq. of the Government Code] was enacted by the California State Legislature in 1982 to provide an alternate means of financing public infrastructure and services subsequent to the passage of Proposition 13 in 1978. Complying with Proposition 13, and with Proposition 218 passed in 1996, the Act permits cities, counties, and special districts to create defined areas within their jurisdiction and, by a two-thirds vote within the defined area, impose special taxes to pay for the public improvements and services needed to serve that area. The Act defines the area subject to a special tax as a Community Facilities District (CFD).

A CFD may provide for the purchase, construction, expansion, or rehabilitation of any real or other tangible property with an estimated useful life of at least five years, including the costs of planning, design, engineering, and consultants involved in the construction of improvements or formation of the CFD. The facilities financed by the CFD do not have to be physically located within the CFD. A CFD may also fund public services to the extent that such services are provided at a level greater than that

provided before the CFD was formed. The City has utilized CFD financing to construct infrastructure in several planning areas such as our Northeast Industrial Area, Plan C residential development, the I-205 Specific Plan area, and the Industrial Specific Plan area to name just a few.

Tracy Hills CFD

The Tracy Hills developer has requested that the City form a CFD to fund a variety of backbone infrastructure improvements, capital facilities, and public services that are needed to serve new residents and employees that will live and work in the project. The proposal includes formation of a CFD that initially includes only Phase 1A in Tracy Hills, with the rest of the project identified as “future annexation area”. This structure will allow the developer to set special tax rates for the first phase of the project that are marketable based on the current expected sales prices, with flexibility to reevaluate special tax rates for future phases of the project. Establishing a future annexation area will also reduce the time and expense associated with annexing future phases of the project into the CFD.

The current proposal also includes establishing both a “facilities special tax” and a “services reserve special tax” in a single CFD. The facilities special tax will be collected to pay debt service on tax-exempt bonds that will be issued to fund infrastructure in the first few years of development. Facilities proposed to be funded by CFD revenues include road improvements; wastewater and water facilities; drainage improvements; an off-site intersection, soundwall, and public safety improvements. Tracy Hills proposes to maintain medians and other public landscaping through their Home Owners’ Association (HOA) dues. Therefore, the reserve services special tax may be adopted and only used to pay for public landscape maintenance if the HOA is not able to adequately maintain the public landscaping. Depending on the implementation of a potential new public safety CFD, the services special tax may also include the project’s share of funding for police and fire costs, which is further defined in the next section.

Formation of the CFD will require City Council action at two Council meetings. At the first meeting, the Council will be asked to approve: (i) a resolution stating the Council’s intention to form a CFD to include a boundary, tax formula, and list of authorized improvements and services that will be included as attachments to the resolution, and (ii) a resolution stating the Council’s intention to issue bonded indebtedness for the CFD. A minimum of 30 days after the first meeting, the Council will, after a public hearing on the matter, be asked to approve a resolution forming the CFD. After this approval, the “election” will be conducted, which will involve the City Clerk opening a ballot from the landowner(s) of parcels in the initial boundary of the CFD. The landowner(s) will get one vote per acre or portion of acre owned within the proposed CFD boundaries, and a two-thirds vote is required for a successful election. Almost all CFD landowner elections result in unanimous votes in favor of CFD formation.

CFD to Offset Fiscal Impacts from New Development

The City retained Goodwin Consulting Group, Inc. (GCG) to estimate the potential recurring fiscal impacts from new development projected to occur within the City in the next 15 years. The 15-year planning horizon allows for development of non-residential land uses and captures the fiscal impacts associated with three new fire stations that will be needed to serve the increased service population. Within the planning horizon, approximately 8,300 residential units and 18 million square feet of non-residential uses are assumed to be developed in the City.

GCG worked with representatives from the Police, Fire, Public Works, and Development Services Departments to establish service standards that apply to new development projects. All other departmental expenses are estimated based on the average costs in the City's adopted budget for fiscal year 2014-15. The analysis estimates that fiscal deficits will result to the City's General Fund if there is not an additional source of revenues implemented to offset the costs of providing public services to the new residents. In order to mitigate those fiscal deficits, a Mello-Roos Community Facilities District is proposed to be formed, and an annual special tax is proposed to be levied on each new residential unit. The fiscal impact analysis concludes that an average annual special tax of \$325 per residential unit (which would escalate in future years) would mitigate cumulative negative impacts generated by new development. A draft of the Service CFD analysis has been provided to the development community for review and comment. Staff is in the process of scheduling meetings with the development community to discuss this funding concept, which will then come before Council for additional discussion and direction.

Fire Department Plans for Service to the Tracy Hills Project

The fire department has adopted performance objectives which establish a benchmark goal of arriving on scene within 6.5 minutes from the time an emergency call is received. The geographical location of the Tracy Hills project is more than 3.5 miles from the closest existing fire station and cannot be served in compliance with the fire department's adopted performance objectives. In order to maintain the current level of fire service to the project site, the Tracy Hills project will require the construction and operation of a new fire station. The fire station is to be located on South Corral Hollow Road between the Delta-Mendota Canal and the California Aqueduct. This station will serve Phases 1A & 1B of the Tracy Hills Project as well as enhance services in other areas of the South County Fire Authority within 1.5 to 2 miles of the fire station..

The fire department, City staff and the Tracy Hills developer have identified a solution to ensure fire service to the project site is commensurate with adopted performance objectives and the developer mitigates project impacts to fire service delivery. The timing of the fire station construction is triggered upon the following:

- Prior to final inspection or certificate of occupancy of the 289th house within Tracy Hills, a fire station and all related equipment shall be constructed and operational.

Additional station(s) shall subsequently be constructed and operational in accordance with the Citywide Public Safety Master Plan, and adopted standards of coverage, to the satisfaction of the Fire Chief.

- Prior to issuance of the first building permit, the developer shall construct an all-weather, emergency vehicle access to all points of the project site from Lammers Road. The access shall be continuously maintained by the developer until permanent access is developed and accepted for maintenance by the City.

The project site is adjacent to land containing natural growing vegetation that can pose a wildfire risk to developed areas. In an effort to mitigate the fire protection hazards associated with wild land fires, the developer shall also:

- Provide a 100-foot firebreak between developed areas and any land that is covered with flammable material such as grass, brush, or forest covered land in conservation easements.
- Conservation corridors with grass or weeds that can be expected to burn will be cattle-grazed, disked or mowed to a height of no more than four inches in accordance with the Preserve Management Plan and Tracy Municipal Code.
- Provide access to all easement corridors and conservation easements for the purpose of suppressing wild land fires outside of the firebreaks.
- Construct all new buildings located on the south side of I-580 and immediately adjacent to conservation easements in accordance with the California Building Code Chapter 7A, (Construction Methods for Exterior Wildfire Exposure).

With the addition of a fire station, emergency vehicle access, vegetation management, and fire resistant construction in the wild land/urban interface areas, the initial phases of the Tracy Hills project will receive adequate fire protection service. Future phases of the project may require additional facilities and resources in accordance with the Citywide Public Safety Master Plan to meet the needs of the community.

FISCAL IMPACT

Negotiating a DA and preparing the CFD is funded by the applicant in accordance with a Cost Recovery Agreement.

RECOMMENDATION

Staff recommends that City Council discuss the DA, CFD and Fire Plans for Service in a workshop format and provide direction as necessary.

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Prepared by: Bill Dean, Assistant Development Services Director
Susan Goodwin, Managing Principal, Goodwin Consulting Group
Dave Bramell, Interim Fire Chief

Reviewed by: Andrew Malik, Development Services Director
Stephanie Garrabrant-Sierra, Assistant City Manager

Approved by: Troy Brown, City Manager