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RESOLUTION NO. 58 (2008)

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RESOLUTION APPROVING LOCAL GOALS AND POLICIES CONCERNING USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982

CITY CLERK  
CITY HALL  
SAN MATEO, CA

WHEREAS, the City Council (the "Council") of the City of San Mateo (the "City") wishes to give consideration to forming community facilities districts pursuant to the Mello-Roos Community Facilities Act of 1982 (Sections 53311 and following of the California Government Code) (the "Act"); and

WHEREAS, Section 53312.7 of the Act provides that proceedings to establish a community facilities district pursuant to the Act may be initiated by a local agency only after it has first considered and adopted local goals and policies and appraisal standards concerning use of the Act; and

WHEREAS, a proposed set of Local Goals and Policies Concerning Use of the Mello-Roos Community Facilities Act of 1982 (the "Local Goals and Policies") has been prepared and submitted to the City Clerk for consideration by the Council in order to comply with Section 53312.7 of the Act; and

WHEREAS, the Council wishes to approve the Local Goals and Policies, a copy of which is attached to this resolution as Exhibit A; and

WHEREAS, the Council is fully advised in this matter;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of San Mateo as follows:

Section 1. The above recitals are true and correct, and the Council so finds and determines.

Section 2. The Council hereby approves the Local Goals and Policies in the form attached hereto as Exhibit A.

Section 3. The Council finds that the Local Goals and Policies approved by this Resolution contain the matters prescribed by Section 53312.7 of the Act and that adoption of the Local Goals and Policies enables the City Council to initiate proceedings to establish community facilities districts pursuant to the Act.

Section 4. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 16th day of June 2008.

Carole Groom

Mayor

ATTEST:

Diana Sawyer

City Clerk

[Seal]

CLERK'S CERTIFICATE

I, Norma Gomez, City Clerk of the City of San Mateo, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the City Council of said City duly and regularly held at the regular meeting place thereof on the 16th day of June, 2008, of which meeting all of the members of said City Council had due notice and at which a majority thereof were present; and at said meeting said resolution was adopted by the following vote:

AYES: 4

NOES: 1

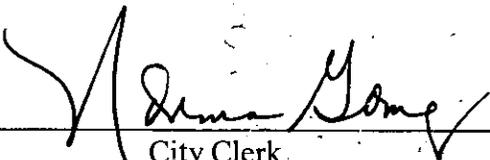
ABSENT: 0

An agenda of said meeting was posted at least 72 hours before said meeting at City Hall, 330 W. 20th Avenue, San Mateo, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office; the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand and the seal of the City of San Mateo this 18<sup>th</sup> day of June, 2008.

[Seal]

  
\_\_\_\_\_  
City Clerk  
of the City of San Mateo,  
State of California

## City of San Mateo

### Local Goals and Policies Concerning Use of the Mello-Roos Community Facilities Act of 1982

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The City Council (the "Council") of the City of San Mateo (the "City") hereby adopts the following in compliance with Sections 53312.7 and 53345.8 of the Mello-Roos Community Facilities Act of 1982 (the "Act") respecting the establishment of community facilities districts, the authorization and imposition of special taxes, and the issuance and sale of special tax bonds by the City on behalf of CFDs.

#### A. **General Policy Respecting Use of the Act.**

There is very little new-development occurring within the City, and the City does not expect, in the normal course, to receive requests for the use of the Act from developers. Hence the City's use of the Act will always be on a case-by-case basis, and no use of the Act will establish a precedent or a practice for any future use of the Act. If the Act is used at all, each use will be unique and subject to whatever policy considerations are important to the City at the time, without restriction.

As a matter of general policy, use of the Act in inhabited areas, where the required election must be by the registered-voters of the CFD, shall be restricted only by the Act itself.

The City will consider using the Act in uninhabited areas, where the required election must be by the landowner-voters of the CFD, either on its own or in conjunction with other public agencies, for purposes of acquiring, constructing, or providing financing for (or any combination thereof) all or a prescribed portion of the public capital improvements and/or development fees pertaining thereto ("Facilities") to be owned by the City, other public agencies, or shareholder-owned and Public Utilities Commission-regulated utility companies and which are required to mitigate the impacts on the City and its inhabitants and other public agencies that will be caused by development expected to occur within the CFD. The City may, in any particular case, consider, for the same purpose (mitigating impacts), authorizing the special tax to fund the cost of public services as permitted by the Act.

#### B. **Priorities for Use of Act.**

The City does not establish any priorities in the use of the Act as a matter of fixed policy. The City will consider the needs of other public agencies, including the School Districts, and will consult with them at their request, in considering any use of the Act. But the City will consider those needs on a case-by-case basis in the light of the circumstances existing at the time, and does not now adopt a rule or practice to pre-determine the results of that consideration.

**C. Required Credit Quality.**

Reserving the right to make exceptions when circumstances warrant, the Council adopts the provisions of Section 53345.8 of the Act as sufficient minimum standards for the credit quality of any bonds issued pursuant to the Act.

**D. Disclosure to Property Purchasers.**

The Council adopts the statutory requirements of disclosure to property purchasers contained in the Act, most notably, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5. In addition, the Council requires that any subdivider subject to the requirements of Section 53341.5 of the Act shall secure from *each* purchaser (that means, for example, separate forms from husband and wife) and immediately deliver to the City, a form signed by the purchaser in the form attached hereto and marked Exhibit A. The Council reserves the right to require additional disclosure procedures in any particular case.

**E. Requirements for Special Tax Formulas.**

Reserving the right to make exceptions when circumstances warrant, the proposed amount and apportionment of the special tax for each CFD shall comply with the following criteria:

1. The special tax formula shall be structured to produce sufficient annual special tax revenue to pay: (a) annual debt service on special tax bonds which have been issued, if any, with a customary coverage factor, taking into consideration delinquency rates in the payment of the special tax, (b) reasonable annual administrative expenses of the City in the administration of the special taxes and the bonds, if any, of the CFD and (c) replenishment of the reserve fund, and (d) the cost of any services and "pay as you go" facilities authorized to be funded by the CFD special tax.
2. The rate and method of apportionment may provide for an annual increase in the maximum special tax for residential properties not to exceed two percent (2%) annually and shall provide for prepayment and discharge of that portion of the special tax obligation on any residential properties pertaining to facilities, as distinguished from that portion of the special tax obligation on such residential properties pertaining to services. This policy shall be implemented on a "best efforts" basis, and may be subordinated to the needs of bond issuance in any particular instance.
3. To the extent permitted within the limitation on maximum annual special tax rates and amounts, the annual special tax shall be calculated such that the total projected annual special tax revenues, less estimated annual administrative expenses, shall exceed the projected annual gross debt service on outstanding special tax bonds, if any, by at least ten percent (10%), except under special circumstances.

4. The special tax shall be allocated and apportioned on the basis of reasonableness to all categories and classes of property within the CFD.
5. For new residential development, the maximum special tax is to be set at a level such that the reasonably estimated total secured property tax bill on residential property, including the general *ad valorem* property tax and all other taxes, assessments and other charges collected on the bill, will not exceed 2% of the initial purchase price of the property. This estimate need not consider the effect of planned increases in the special tax not in excess of 2% per year.

**F. Appraisal Standards.**

Reserving the right to make exceptions when circumstances warrant, the Appraisal Standards for Land Secured Financings (the "Standards") published by the California Debt and Investment Advisory Commission, dated May 1994 and revised July 2004 and the Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing are adopted as the appraisal standards for the City with the following modifications:

1. The independent review appraiser is an option, and not a requirement.
2. The comparable sales method may be used whenever there is sufficient data available.
3. The appraiser should assume the presence of the facilities to be financed with the proposed special tax bonds.
4. The special tax lien need not be computed as the present value of the future tax payments if there is a pre-payment mechanism or other more appropriate measure.
5. Except where necessary to make a meaningful comparable sale comparison, the appraiser is not to discount the value of property for the amount of the special tax or assessment liens. This also means that, absent considerations not customarily present, and subject to the professional judgment of the appraiser, the special tax should ordinarily be ignored in any Discounted Cash Flow Analysis ("DCFA").
6. Page 29 of the Standards, in the definition of "Bulk Sale Value," states the requirement that *all* parcels within a tract or development be included. Instead, it may be all or any defined portion of such property.

EXHIBIT A

PURCHASER'S STATEMENT TO THE CITY OF SAN MATEO

TO: THE CITY COUNCIL AND THE STAFF OF THE CITY OF SAN MATEO:

My name is \_\_\_\_\_, and I am notifying you that I am

purchasing the property with the address of \_\_\_\_\_ in the City of San Mateo ("My Property").

I want you to know that:

1. I understand that My Property lies within your Community Facilities District No. 2008-1 (Bay Meadows).
2. I understand that *because* My Property lies within your Community Facilities District No. 2008-1, I will have to pay an annual special tax on My Property.
3. I understand that the special tax is different from, *and is in addition to*, the general *ad valorem* property tax that every property owner pays.
4. I understand that most property owners in the City of San Mateo *do not pay this special tax*.
5. I was aware that the special tax would be levied on My Property at the time I made the offer to purchase My Property, *and that I took the amount of the special tax into account in deciding how much I would pay for My Property*, and I, in fact, paid *less* for My Property than I otherwise would have *because* I realized it was burdened with the obligation to pay the special tax.
6. I understand that the special tax is levied each year.
7. I understand that the special tax will appear on my property tax bill, and must be paid as part of paying the general property tax bill on My Property.
8. I understand that the *amount* of the maximum *annual* special tax on My Property in tax year 20\_\_-20-\_\_ is \_\_\_\_\_; and that it increases at the rate of 2% per year.
9. I understand that the special tax will continue to be levied on My Property until \_\_\_\_\_.
10. I understand that the special tax is authorized to pay for certain things, but that even if not all of those things are accomplished, I will *still* have to pay the special tax.

**I am signing this form and having it delivered to you so that you will not be concerned that at some time in the future I might complain that I did not understand any of the foregoing.**

DATE: \_\_\_\_\_

\_\_\_\_\_

\* \* \*

Resolution adopted by the City Council of the City of  
San Mateo, California, at a regular meeting held on  
June 16, 2008, by the following vote of the Council:

AYES: Council Members LEE, EPSTEIN,  
MATTHEWS and GROOM

NOES: Council Member GROTTÉ

ABSENT: NONE

(SEAL) /s/ NORMA GOMEZ, City Clerk