

REPORT TO THE CITY COUNCIL



DATE: May 2, 2017

TITLE: Annexation No. 9 to the City of Desert Hot Springs
Community Facilities District No. 2010-1 (Services) (DHS
Property Investments, LLC)

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Reviewed by: Joseph M. Tanner, Administrative Services Director

RECOMMENDATION

- 1) Staff Report;
- 2) Entertain Questions of Staff from the City Council;
- 3) Open the Public Hearing;
- 4) Take testimony;
- 5) Close the Public Hearing;
- 6) City Council discussion and questions of Staff;
- 7) Adopt a Resolution of the City Council calling an election to submit to the qualified electors the question of levying a special tax within the area proposed to be annexed to Community Facilities District No. 2010-1 (Services) (Annexation No. 9);
- 8) Hold the election;
- 9) Canvass the election; and
- 10) Adopt a Resolution of the City Council declaring election results for annexation to Community Facilities District No. 2010-1 (Services) (Annexation No. 9).

DISCUSSION

On March 21, 2017 the City Council approved Resolution No. 2017-009 declaring its intention to annex territory to Community Facilities District No. 2010-1 (Services) of the City of Desert Hot Springs (the "CFD No. 2010-1" or "District") and commence the annexation proceedings for the one property for the purpose of levying special taxes on parcels of taxable property for the purpose of providing certain services which are necessary to meet increased demands placed upon the City. A public hearing on this matter was scheduled for May 2, 2017. The City Council will conduct a public hearing regarding the annexation of approximately 1.07 acres of land to Community Facilities District No. 2010-1 (Services). This parcel is considered developed. At the conclusion of the public hearing, the Council will consider adopting a resolution scheduling a special election within the territory to be annexed to the community facilities district on the question of the annual levy of special taxes on the annexing property to pay the costs of maintenance services financed by CFD No. 2010-1. The resolution schedules the special election on May 2, 2017, immediately following the public hearing.

The services as described above may be funded with proceeds of the special tax of CFD No. 2010-1, as provided by Section 53313 of the California Government Code. The existing and new development of residential and non-residential properties does not provide sufficient revenues to provide landscape maintenance and lighting services. The City formed CFD No. 2010-1 (Services) to address this shortfall and to provide certain services which are necessary to meet increased demands placed upon the City as a result of the development of said real property. Special Tax rates are based on District costs, maintenance category, as well as land use category. These Special Tax rates are applied on a Benefit Unit basis determined by the property's Land Use Category which are one (1) BU per single-family residential unit, six tenths (0.6) BU per multi-family unit, five (5) BUs per acre for commercial and hotel property, and two (2) BUs per acre for industrial and religious property. To accommodate the unknown maintenance costs of future projects, properties are assigned Maintenance Categories with a rate per BU for providing services to those parcels. 36 Maintenance Categories are included in

the Rate and Method of Apportionment. These 36 Maintenance Categories range from \$20.00 to \$5,000 per BU which is determined by their Land Use Category. After a Maintenance Category has been assigned, the Special Tax levied adjusts annually by the greater of the Consumer Price Index or two and one half percent at the beginning of each following fiscal year. The City can levy less than the maximum annual special tax if the full amount is not needed, but never more. Maintenance Category assignments can be seen in Exhibit B of the attached resolution calling an election. The proposed annexation to the District contains approximately 1.07 acres as shown on the attached annexation map.

The proposed special taxes for the properties included in this annexation for Fiscal Year 2017-18 is a maximum of \$4,000 per BU for commercial property and may increase annually by the greater of the Consumer Price Index or two and one half percent.

This ninth annexation to the District will increase CFD No. 2010-1 by adding 1.07 acres of non-residential property.

The property owner(s) requesting the annexation of its property to the community facilities district has delivered to the City Clerk a written waiver consenting to the special election being conducted by the City Clerk by May 2, 2017.

Immediately following the adoption of the resolution calling the election, the property owner will deliver a voted Official Ballot(s) to the City Clerk. The City Clerk will then canvass the voted ballot and report the results of the election to the Council. The Council will then consider the adoption of the resolution declaring the results of the election, which will complete the annexation of the property to the community facilities district.

FISCAL IMPACT

Currently, existing and new development generates insufficient General Fund revenues to pay for the General Fund expenses of serving the area. The District provides the City additional funding for a portion of landscape maintenance, lighting, and drainage basin service costs (i.e. landscaping, lighting, and maintenance and repair of public structures situated on parks, parkways, streets, roads and open space). A portion of the operations funding will be derived from alternative funding sources including other special districts and the City's General Fund.

All costs associated with the annexation to the CFD No. 2010-1 are to be paid for by the property owners/developers who are participating in the annexation to the CFD No. 2010-1 through an application fee of \$5,000. The property owner is responsible for all costs and payment of associated levy amounts applied to the annual tax roll for maintenance services.

EXHIBIT(S)

- 1) Recorded Annexation Map
- 2) Resolution Calling an Election
- 3) Waiver and Consent from property owner
- 4) Resolution Declaring Results
- 5) Letter from City Clerk attesting no. of registered voters
- 6) Certificate Declaring Election Results - DRAFT
- 7) Affidavit of Publication of Notice of Hearing
- 8) Council Properties Map