

ATTACHMENT A
CITY OF PHOENIX
COMMUNITY FACILITIES DISTRICTS
FINANCIAL POLICY AND PROCESS GUIDELINES

{Edited to reflect certain changes made by SB1480 – Chapter 208, Laws 2017}

Community Facilities District Overview

Community Facilities Districts (CFD) are special taxing districts authorized under ARS Title 48. CFDs may be created within municipalities or counties to finance the cost of certain public facilities that serve land within the boundaries of a CFD. Debt associated with a CFD is the responsibility of property owners benefiting from the public improvements, and is generally repaid through special assessments on the owner's property tax statement.

Infrastructure/improvements that can be financed by a district include:

Water and wastewater facilities
Drainage and flood control
Streets and parking
Pedestrian, equestrian and bicycling
Pedestrian malls, parks and open spaces
Landscaping and water features
Public Buildings
Lighting and traffic control systems
Equipment related to items listed above

Financial Policy Priorities:

The City's policy for Community Facilities Districts is to implement the City's General Plan by encouraging orderly growth and development that benefits the community. Accordingly, the following principles should be used as a guide in evaluating applications for CFDs.

- Districts should not impose a net negative fiscal impact on City operations.
- Districts should demonstrate adequate financial resources for all public improvements required to serve land within the District.
- Districts should attempt to include within District boundaries all lands benefitting from public improvements required to serve the District.
- Districts should not require repayment or other financial contributions from lands outside the District that may benefit from public improvements required to serve the District.
- Districts / developers should provide appropriate financial guarantees acceptable to the City including:
 - security to cover debts until such time that occupancy is sufficient.
 - security to protect against abandonment prior to completion.

- Districts should demonstrate how all public amenities and services provided within the District will meet or exceed current City standards.
- Districts should not negatively impact development of lands by reallocating existing service commitments.
- Districts should ensure that the City Council adopted General Plan Land Use Map reflects the desired land uses proposed at the onset of District formation.
- Districts should seek to build on existing infrastructure improvements in an orderly efficient manner.

These Guidelines will be subject to modifications based on experience and should be considered a flexible guideline intended to ensure the fiscal health of the city and interests of the general public are protected.

Developers/landowners proposing a district will be given the opportunity to propose alternative approaches with the understanding that the City's concerns will have to be adequately addressed before staff can recommend approval.

12-Step CFD Formation Process:

1. Developers/landowners considering the formation of a District must contact the City's Planning and Development (PDD) Director for an initial meeting that will include the Director and Chief Financial Officer along with other key staff. This meeting will provide initial guidance concerning the formation of the District. All requests for initial meetings regarding the formation of Districts shall be submitted to the Planning and Development Director who will coordinate necessary inter-departmental review of the application. This meeting will take place prior to the pre-application submittal.

2. Developers/landowners must make a Pre-application submittal based upon the above guidance to help the City/proposer create and review the proposed CFD. PDD will route the Pre-application submittal to effected departments for review and comment. Comments will be collected and a meeting will be scheduled with the proposer to review the comments and written comments will be provided after the meeting. An initial \$5,000 fee shall be paid concurrent with this submittal. The meeting will be scheduled within 30 days after the City determines that the Pre-application submittal is complete. These comments must be addressed as part of the Preliminary application submittal described below.

A Pre-application submittal shall include at least the following:

- A description of the proposer, including the corporate and organizational structure of the entity of the individual making the application, the names of all officers and directors directly related to or associated with the proposed district, the name, address and telephone number of the primary contact for the proposer, the names of any legal representatives, engineers, architects, financial consultants or other consultants significantly involved in the application and a general description of the proposer's experience with similar

types of developments. This information can be supplemented as the CFD moves forward.

- A description of the proposed District including its boundaries and identifying all landowners. The description must contain an analysis of the appropriateness of the district boundaries.

A description of how the proposed district meets the City's existing development objectives, including the degree to which the District is consistent with the goals of the City's General Plan or any adopted area plans for promoting orderly development, and the degree to which the land use plan for the District is consistent with the City's General Plan Map for the area

- A financial feasibility study for the entire project covering both the public infrastructure and the private development, that includes:
 - ❖ An analysis of how the proposed debt financing, operation and maintenance costs, and any other district costs will impact the private development in terms of property taxes and property tax rates, special assessments, fees and charges, and any other costs that would be borne by properties in the district. This should also address the impact these costs will have on the marketability of the private development.
 - ❖ A financing plan for the private development.
 - ❖ Market absorption projections for the private development demonstrating the market's anticipated ability to absorb the land uses included within the development. A comprehensive market absorption study may be required prior to debt issuance.
- A general land use and infrastructure plan setting a general description of the public infrastructure for which the District is proposed to be formed, the general areas to be improved and the estimated costs of construction or acquisition by the public infrastructure to be financed, constructed or acquired by the District.
- A preliminary financing plan that includes the sources and uses of monies for the public improvements and public infrastructure, including both capital and operating costs when the infrastructure is owned and operated by the district.
- If the public improvements and public infrastructure are publicly owned the City may access a fee not to exceed thirty cents per one hundred dollars of assessed valuation for all real and personal property in the district for operation and maintenance of the public improvements and infrastructure.
- A proposed project schedule for completion of the public infrastructure and completion of the private development.

- An operating plan for the district, i.e., what functions the district would provide and how the operation and maintenance of the infrastructure and all other services in the district would be provided.
- Certification from the proposer that it has met with PDD regarding the initial feasibility, guidance, and development assessment for the district as described above, and obtained and addressed the comments received from appropriate city departments during that development assessment.
- Representation by counsel to the developer stating that the formation of the district and the implementation of any proposed financing will meet all the requirements of federal and State law.
- A process for the designation of the two additional district board members, on completion of the development of all of the property in the district.

The applying landowner/developer shall provide the City with documentation demonstrating their financial capacity to undertake the project.

Pre-application submittals that fail to include any of these required items will be returned to the proposer as incomplete.

3. Upon receipt of a complete Pre-application submittal and before the meeting with the proposer, the City will determine the ratio of market value to proposed debt. State law states that debt cannot exceed sixty percent of property market value, however to ensure optimal financing the City prefers:

- A ratio of 4 to 1 would be most desirable while a ratio of 3 to 1 would be considered minimum.
- If a 3 to 1 ratio is not achieved, staff would probably recommend scaling down the proposed debt, and phasing infrastructure construction in order to attain the 3 to 1 minimum ratio.

4. The landowner/developer shall contribute \$0.25 in public infrastructure improvement costs for each dollar of public infrastructure improvement debt financed by the district. For those districts providing special benefit to the City, this requirement could be waived upon review and approval of additional information that outlines the benefit.

5. The City will provide review comments based upon overall feasibility in meeting the financial policies and items 1-4 above at the Pre-application meeting within 21 days of initial submittal.

6. The landowner/developer shall make a Preliminary application submittal that covers the required Pre-application submittal items and staff comments from that initial submittal review and an additional \$5,000 application fee. The City shall provide

comments in the manner prescribed above within 30 days of the Preliminary application submittal.

7. The landowner/developer shall then provide a final application submittal, addressing the following required elements:

- A petition signed by the owners of a least twenty-five percent of the land to be included in the District.
- The required Pre-application submittal items in section 2 above, as modified through the Pre-application and Preliminary application process.
- Responses to any City comments received on the Preliminary application submittal.
- And the final \$5,000 application fee.

Once this final application submittal is deemed complete by the Chief Financial Officer, the City Council shall hold a public hearing to consider the application for the formation of the District within 60 days. Staff will prepare a written analysis of the proposal that will be circulated to the general public along with the Mayor and City Council. The analysis will include a recommendation to proceed or not to proceed with formation of the CFD.

8. Immediately after completion of the public hearing, the Council may adopt a resolution declaring its intention to form a CFD. If the Council does not approve the CFD, then the City will provide written basis identifying reasons for the denial.
9. If a District is formed and the District's general plan includes the financing of infrastructure improvements that landowners/developers already are required to provide under existing development or other agreements with the City, the City may seek to amend those agreements so that such infrastructure improvements would be provided by the District instead of those landowners/developers.
10. The City shall be responsible for approving and supervising the issuance of any District debt. In this capacity, the City shall approve all consultants recommended by the landowner/developer, including underwriters and bond counsel. The City shall also reserve the right to retain additional consultants in connection with any bond issuance, such as financial advisor, when it is deemed necessary to do so.
11. Any bonds issued by the District shall have at least an investment grade rating from Moody's Investors Service or Standard and Poor's, or Fitch ratings agencies or be credit enhanced by a financial institution or insurer rated in either of the two highest rating categories, and acceptable to the City. Alternatively, the private placement of non-rated bonds will be allowed, subject to the approval of the terms of the private placement by the Finance Department.

12. The City Council, ex officio, plus two additional district board members who are designated by the owner who owns the largest amount of privately owned land in the District shall serve as the District Board for each District, with day-to-day responsibilities delegated to City staff.

DRAFT