



# Community Facilities Districts (an update)





# What Can CFD Developments Accomplish?





# Why Use CFDs?

- Developers desire these for accelerated reimbursement or for construction financing purposes, tax considerations, and to provide consistent financing through economic cycles.
- Cities look to use CFDs for economic development, enhanced infrastructure within master-planned communities, and an ability to deal with infrastructure on a more comprehensive basis – particularly ones over 600 acres in size or 2,500 homes/lots.
- CFDs can be used for:
  - Highways, streets, roadways, public parking facilities
  - Landscaping, flood control, water systems, sewer and drainage
  - Street lights and signals, public safety facilities, and recreation facilities
- In the formation of a CFD, City Council will act as the District Board to act in the best interests of the citizens within the district.

# Next Steps – After Speaking with Cities to Understand Their Processes, What's Next For Us?

## CFD: A SEVEN-STEP FORMATION PROCESS



# City of Maricopa CFD Policy Highlights

- **General Policies – Important Operational Considerations**

- CFDs should be considered primarily in connection with the financing of major public infrastructure for development of master planned communities or projects that involve substantial commercial development.
- A key tenant of this policy is the financial protection of property owners within a CFD. As such, this policy permits the City or the CFD to request additional financial security or collateral instruments that attempt to protect homeowners from financial liability in excess of targeted tax rates and assessments. Similarly, this policy includes provisions designed to meet all financial obligations and/or legal exposures of the CFD.
- Unless otherwise agreed to by the City Council, and pursuant to state statutes, the CFD will be governed by a board of directors comprised of the members of the City Council, ex officio. The day-to-day administrative responsibilities of the CFD will be performed pursuant to one or more contracts with outside personnel or by the City staff.
- Unless otherwise agreed to by the City, the CFD must be self-supporting from the standpoint of financing, operations and maintenance and no City funds will be used for CFD purposes. (Notwithstanding anything contained herein, neither the property, the full faith and credit nor the taxing power of the City shall be pledged to the payment of any CFD obligation or indebtedness.) Unless otherwise agreed to by the City, all costs of administration and operation of the CFD and the operation and maintenance of public infrastructure in the CFD, including replacement reserves if appropriate, shall be the responsibility of the CFD, the landowner/developer, applicable homeowners' associations, or any combination of the foregoing, as may be acceptable to the City and the CFD board of directors.

# City of Maricopa CFD Policy Highlights

- **Application Requirements – Important Partnership Considerations**

- Applicant Experience with similar projects.
- Submission of Applicant's Financial Capabilities, including financial statements and supporting documents.
- Signed petition in favor of the creation of a CFD, including list of all parcels in proposed CFD.
- Description of the project.
- Estimated costs of construction, acquisition, and components of the public improvements.
- Development timetable.
- Financial feasibility study and Fiscal impact study.
- Insurance and indemnification.
- Full disclosure of CFD existence to prospective property owners.
- CFD Operating Plan.
- Development Agreement.

# City of Maricopa CFD Policy Highlights

- **Completed Application Requirements**

- \$15,000 Application Fee to cover administrative review costs
- Comprehensive application review
- City Council shall hold a public hearing within 60 days after submission to consider the application, and if denied shall provide written basis for changes necessary. There is no presumption of formation of a CFD.
- If a Completed Application includes a petition for formation that is signed by all the owners of all of the land in the proposed CFD, as well as all the requirements of Article 2 in form satisfactory to the City, the City may declare the district formed without posting, publication, mailing, notice and public hearings or landowner election. Otherwise, the alternative provisions of the Act must be followed.
- Upon approval, the applicant shall deposit with the CFD a nonrefundable administrative expense fee of not less than \$50,000 to be applied to the costs and expenses incurred for the formation, administration, maintenance, and feasibility study needs of the CFD.
- At this point, bond financing may be considered – likely to be Assessment bonds secured by a first lien on the property benefitted, and requiring adherence to the City CFD Policy and Development Agreement established.
- Costs of issuance related to the issuance of bonds and obligations described above shall be paid from the proceeds of CFD bonds, unless otherwise approved by the CFD board of directors, in its sole and absolute discretion. The CFD board of directors may require the Applicant to make cash contributions to the CFD for costs of issuance related to CFD bonds. On a case-by-case basis, the CFD board of directors may require the Applicant to pay an additional amount related to a CFD bond transaction for CFD staff time to process the transaction.

# Any Questions?