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MEMORANDUM

Date: June 26, 2008

To: The Honorable Salud Carbajal, Chair and Members of the Board of Supervisors

From: John Baker, Assistant CEO/Director Planning & Development

Subject: Hope Community Church CFD Annexation

cc: Michael F. Brown, County Executive Officer

Recommendation:

That the Board of Supervisors conduct a second reading and adopt an Ordinance approving the annexation of Hope Community Church to Orcutt Community Facilities District

On June 17, 2008, the Board of Supervisors approved the first reading of an ordinance annexing the Hope Community Church to the Orcutt Community Facilities District (OCFD). During the first reading on June 17, 2008, the applicant asked the Board to: (1) exempt Hope Community Church from the levy of special taxes, and (2) amend the Ordinance creating the CFD to exempt school and church uses from the levy of the special tax. These requests were denied because Government Code sections 53332 - 53338 do not allow changes to the rate and method of apportionment of an existing special tax unless specified procedures are followed. Those procedures include a petition to make specified changes to the rate and method signed by 25% or more of the registered voters residing in the district, a noticed hearing, an opportunity to submit protests, and possible special election by all qualified electors.

During the second reading on June 24, 2008, the applicant raised two new issues questioning a church's obligation to pay an annual tax as part of the Mello-Roos district approved by the Board in 2002.

- 1. Does Section 4 of the CFD Ordinance provide that property exempt from *ad valorem* property tax is also exempt from the CFD special tax?**

Response: No. As explained by County Counsel during the Board meeting, Section 4 states "The special tax will be collected in the same manner as ordinary *ad valorem* property taxes or in such other manner as the Board of Supervisors shall determine, including direct billing of the affected property owners." This provision does not exempt Hope Community Church from the special tax. It only relates to the manner in which the special tax will be collected.

- 2. Does Exhibit C of the CFD report for July 2007 indicate that the actual special tax for FY 2007- 08 is Not Applicable (NA) to non-retail commercial/industrial properties such as Hope Community Church?**

Response: No. Exhibit C only reflects the Actual Special Tax imposed on properties that have been issued a building permit between March 1, 2002, and June 28, 2007. The Not Applicable (NA) designation for non-retail commercial/industrial properties appearing on Exhibit C merely indicates that no building permits had been issued for non-retail commercial/industrial properties from March 1, 2002 to June 28, 2007. (See page 3 of Attachment 1.)

The difference between Maximum Special Tax and Actual Special Tax as presented on Exhibit C by the applicant for Hope Community Church was result of a Board decision for the 2006-07 assessment to lower the amount collected to 72% of the maximum special tax and then a decision to increase the 2007-08 assessment by CPI (3.29%). (See page 6 of Attachment 1.)

Depending on when Hope Community Church is issued a building permit, it will be placed in the non-retail commercial/industrial category of CFD special taxes and assessed on a square foot basis.

Attachment 1

**COUNTY OF SANTA BARBARA
COMMUNITY FACILITIES DISTRICT
No. 2002-1**

June 28, 2007

**ADMINISTRATION REPORT
FISCAL YEAR 2007-2008**

**COUNTY OF SANTA BARBARA
COMMUNITY FACILITIES DISTRICT No. 2002-1**

Prepared for

**COUNTY OF SANTA BARBARA
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EXHIBITS

Exhibit A: Fiscal Year 2007-2008 Special Tax Levy

Introduction

This Mello-Roos Community Facilities District Administration Report presents the findings of the research and financial analysis performed by David Taussig & Associates, Inc. to determine the special tax requirement for Community Facilities District No. 2002-1 (Orcutt Community Plan) ("CFD No. 2002-1") of the County of Santa Barbara ("the County") for fiscal year 2007-2008.

CFD No. 2002-1 is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982, (the "Act") as amended. The Act provides an alternative method for the financing of certain public facilities and services. Specifically, CFD No. 2002-1 is authorized to levy an annual special tax to finance (i) fire protection and suppression services, (ii) police protection services, (iii) maintenance of parks, parkways and open spaces, and (iv) flood and storm protection services.

The authorized services are funded through the annual levy and collection of special taxes from all property subject to the tax within the community facilities district. In calculating the special tax liability for fiscal year 2007-2008, this report examines the financial obligations of the current fiscal year and analyzes the level of development within CFD No. 2002-1. Though the Rate and Method of Apportionment describes the collection of an annual special tax as well as a Building Permit One-Time Special Tax and a one-time Grading Permit Special Tax, the focus of this report is the levy of the annual special taxes.

This report is organized into the following sections:

Section I

Section I provides an update of the development status of property within CFD No. 2002-1.

Section II

Section II analyzes the fiscal year 2006-2007 special tax levy.

Section III

Section III determines the financial obligations of CFD No. 2002-1 for fiscal year 2007-2008.

Section IV

Section IV reviews the methodology used to apportion the special tax requirement to Developed Property and Graded Property. A table of the 2007-2008 special taxes for each classification of property is included.

I. Special Tax Classifications and Development Update

Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Rate and Method of Apportionment. The Rate and Method of Apportionment defines three categories of property, namely "Developed Property," "Graded Property," and "Undeveloped Property." The category of Developed Property is in turn divided into four separate special tax classifications based on the type of structure built. A table of the Developed Property special tax classifications is shown below.

Community Facilities District No. 2002-1 Developed Property and Graded Property Classifications

Land Use Class	Description
1	Single Family Property
2	Multi-Family Property
3	Non-Retail / Commercial Industrial Property
4	Retail Commercial Property
NA	Graded Property

Developed Property is distinguished from Graded Property and Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued on or after March 1, 2002 and as of June 30 of the previous Fiscal Year will be classified as Developed Property in the following fiscal year. For example, all property in CFD No. 2002-1 for which a building permit was issued between March 1, 2002 and June 30, 2007, will be classified as Developed Property in fiscal year 2007-2008. For fiscal year 2007-2008, Graded Property is defined as all taxable property other than Developed Property, for which a land use permit for grading was issued between March 1, 2002 and June 30, 2007.

Development Update

The table below indicates the cumulative Developed Property, by class, within CFD No. 2002-1. According to the County of Santa Barbara, building permits for 148 single family units had been issued within CFD No. 2002-1 after March 1, 2002 and prior to June 21, 2007. Additional Developed Property for fiscal year 2007-2008 includes the five Assessor's Parcels consisting of 32,015 building square feet that are identified in the Rate and Method of Apportionment as Retail Commercial Property. No additional building permits or land use grading permits are expected to be issued prior to June 30, 2007.

**Community Facilities District No. 2002-1
Fiscal Year 2007-2008
Developed Property and Graded Property**

Class	Land Use	Number of units/SF/lots
1	Single Family Property	148 units
2	Multi-Family Property	0 units
3	Non-Retail Commercial/Industrial Property	0 sq. ft.
4	Retail Commercial Property	32,015 sq. ft.
NA	Graded Property	185 lots

In addition, please note that the County of Santa Barbara recorded an Amended Boundary map for CFD No. 2002-1 on April 13, 2007 which added assessor parcels 103-740-16, 105-400-01 through 105-400-62, and 107-270-03 to the CFD No. 2002-1 boundary.

II. Fiscal Year 2006-2007 Special Tax Levy

The aggregate special tax levy for fiscal year 2006-2007 equaled \$71,746.49. As of June 19, 2007, \$70,350.14 in special taxes had been collected by the County. A total of \$1,396.35 in special taxes are delinquent, resulting in a delinquency rate of approximately 1.95 percent.

III. Fiscal Year 2007-2008 Special Tax Requirement

For fiscal year 2007-2008, the special tax requirement is equal to \$96,834.77 and is calculated as follows:

Community Facilities District No. 2002-1 Fiscal Year 2007-2008 Special Tax Requirement

FISCAL YEAR 2007-2008 USES OF FUNDS:	
CFD ADMINISTRATIVE EXPENSES	\$33,259.63
FIRE PROTECTION & SUPPRESSION SERVICES [1]	\$53,349.64
POLICE PROTECTION SERVICES [1]	\$38,920.70
MAINTENANCE OF PARKS, PARKWAYS AND OPEN SPACE [1]	\$16,746.78
FLOOD AND STORM PROTECTION SERVICES [1]	\$4,319.81
TOTAL USES OF FUNDS	\$146,596.56
ADJUSTMENT [2]	(\$49,761.78)
FISCAL YEAR 2007-2008 SPECIAL TAX REQUIREMENT:	\$96,834.77
[1] Represents estimated share of annual service and/or maintenance costs for existing Developed Property within CFD No. 2002-1 based on the Fiscal Impact Analysis for the Orcutt Community Plan dated 5/7/2007.	
[2] Based on conversations with the County, the special tax requirement is reduced so that the increase in special tax rates from fiscal year 2006-2007 to fiscal year 2007-2008 is equal to the increase in the Consumer Price Index (3.29%) as defined in Section IV.	

IV. Method of Apportionment

Maximum Annual Special Taxes

The amount of special taxes that CFD No. 2002-1 may levy is strictly limited by the maximum special taxes set forth in the Rate and Method of Apportionment. The Maximum Special Taxes for each classification of Developed Property are specified in Table 1 of Section C of the Rate and Method of Apportionment. The initial Maximum Special Tax will escalate each Fiscal Year by the greater of the change in the Los Angeles Urban Consumer Price Index ("CPI") during the previous twelve months or 2%, commencing July 1, 2003 and continuing every July 1 thereafter. For fiscal year 2007-2008, the annual increase in the CPI was 3.29%.

The maximum annual Grading Permit Special Tax for Graded Property is specified in Section C.2 of the Rate and Method of Apportionment. No Special Taxes shall be levied upon Undeveloped Property.

Apportionment of Annual Special Taxes

The annual special tax that is apportioned to each parcel is determined through the application of Section D of the Rate and Method of Apportionment.

The Maximum Special Tax shall be levied against each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax until the amount of the Special Taxes equals the Special Tax Requirement. In addition, the Grading Permit Special Tax shall be levied at 100% of Maximum Special Tax on each legal lot of Graded Property.

Application of the maximum rates under the first step yields aggregate special tax revenues of \$130,851.75. However, this would result in an increase in the special tax on Developed Property of 43%. As discussed in Section III, the County adjusted the special tax requirement so that the special tax levy on Developed Property would increase only by the CPI (3.29%). Therefore, the fiscal year 2007-2008 special tax for each parcel of single family property is equal to approximately 72.0 percent of the maximum special tax. As stated above, Graded Property is levied at 100% of the Maximum Special Tax. The fiscal year 2007-2008 maximum and actual special taxes are shown for each classification of Developed Property and Graded Property in the following table.

