



Legislation Text

File #: Ord. 2020-86, **Version:** 1

Hold public hearing and receive comments for or against Ordinance 2020-86, amending the project plan and reinvestment zone financing plan for Tax Increment Reinvestment Zone No. 4 - Kissing Tree, to increase reimbursement to developer by \$10,000,000 and add eligible projects costs for water testing over a 5 year period in the amount not to exceed \$265,000; authorizing the City Manager, or his designee, to execute such amendments on behalf of the City; including procedural provisions; and declaring an effective date; and consider approval of Ordinance 2020-86, on the first of two readings.

Meeting date: December 2, 2020

Department: Finance - Melissa Neel, Assistant Director of Finance

Amount & Source of Funding

Funds Required:

Account Number: [Click or tap here to enter text.](#)

Funds Available:

Account Name: [Click or tap here to enter text.](#)

Fiscal Note:

Prior Council Action: In 2010 the City of San Marcos entered into a Development Agreement for Paso Robles and subsequently approved the creation of Tax Increment Reinvestment Zone No. 4 to provide for the reimbursement, with tax increment, of project expenses including infrastructure necessary for the development of the project. In Sept 2014, Council approved resolution No. 2014-121 increasing the expenses eligible for reimbursement to the developer, Brookfield Residential (owners of Carma Paso Robles), by an additional \$10,000,000 to fund land development work, building homes, golf course, club house, and all other improvements. The Sept 2014 agenda packet is attached to this ARF for reference.

City Council Strategic Initiative: [Please select from the dropdown menu below]

Choose an item.

Comprehensive Plan Element (s): [Please select the Plan element(s) and Goal # from dropdown menu]

below]

- ☐ Economic Development - Diverse Local Economic Environment
- ☐ Environment & Resource Protection - Choose an item.
- ☐ Land Use - Choose an item.
- ☐ Neighborhoods & Housing - Choose an item.
- ☐ Parks, Public Spaces & Facilities - Choose an item.
- ☐ Transportation - Choose an item.
- ☐ Core Services
- ☐ Not Applicable

Master Plan: *[Please select the corresponding Master Plan from the dropdown menu below (if applicable)]*

Choose an item.

Background Information:

City Manager Lumbreras has made a personal choice not to participate in discussions and/or decisions about Kissing Tree or Brookfield Development to avoid the perception of a conflict of interest since he owns property in Kissing Tree.

Overview:

TIRZ #4 was created in 2011 to pay for water/wastewater, drainage, and road infrastructure in the Kissing Tree housing development. In this TIRZ, 40% of the taxes collected over the base year is deposited in the TIRZ fund and is paid to the developer to reimburse for the infrastructure costs. This is a joint TIRZ, with the County contributing 40% of taxes collected to the TIRZ fund. The City's maximum liability for this TIRZ will increase from \$20M to \$30M. Due to the delay in development, the addition of new valuation has been delayed and estimated repayment schedules have not been updated. Original estimations had the obligation being met in 2041.

Additional background:

- In 2009, the City of San Marcos approved the Development Agreement for Paso Robles, and at a subsequent meeting, approved the TIRZ Ordinance that repays Carma Paso Robles for the construction of certain infrastructure that benefits the community as a whole. Repayment is generated by the increase in property valuation and subsequent property taxes collected within the boundaries of Paso Robles as land is developed and homes are built.
- Financial modeling projected that the TIRZ could support a repayment of approximately \$40,000,000 based on 2009 market value of the homes proposed for the area. At the time of the adoption of the TIRZ Ordinance, the amount of repayment was capped at \$20,000,000.

- As part of the development, Carma Paso Robles was working with a builder partner to share in the cost of development and build the homes for the area. The builder partner was unable to raise their side of the required capital to launch and in 2013, the partnership was terminated.
- In 2014, Brookfield Residential (which owns Carma Paso Robles) made the decision to build the homes in this community, and now wants to proceed with the launch of Paso Robles, completing both the land development work, as well as building the homes, the golf course, the club house and all the other improvements as laid out in the Development Agreement and the PDD zoning. In making this decision, Brookfield Residential is now faced with the task of funding the capital required for both sides of the original builder partnership agreement.
- To help Brookfield Residential manage this additional expense, and in consultation with the City Management, Brookfield Residential has identified certain elements that are part of the development of Paso Robles that benefit the community as a whole, and requesting that the City of San Marcos amend the TIRZ Ordinance to allow Brookfield Residential to recover an additional \$10,000,000 in development costs through the TIRZ, for a total recovery of \$30,000,000 and to reset the original timeframe for repayment in the agreement.
- The additional recovery payments would be used to repay Brookfield for the development of the comprehensive parks and trail system that is located throughout the community, which ties to the City's regional trail and park system. It would also be used to repay for the contribution to the regional conservation lands along the Purgatory Creek basin. Lastly, it would be used to pay for the existing approved work that has experienced cost increases since the list was first approved in 2009.
- The approval of the additional \$10,000,000 in repayment would allow Brookfield to recover some of the regional costs associated with the development of the community that benefits the area beyond the community borders, and would be paid back as rooftops are created and property taxes are assessed and paid based on the new valuations of the lands.

Council Committee, Board/Commission Action:

TIRZ #4 - Kissing Tree met on Oct 27, 2020 and approved the revised Project Plan and Reinvestment Zone Financing Plan

Alternatives:

[Click or tap here to enter text.](#)

Recommendation:

Hold the Public Hearing and adopt the Ordinance for the first reading.

