



# City of Huntington Beach

File #: 19-387

MEETING DATE: 4/1/2019

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Fred A. Wilson, City Manager

**PREPARED BY:** Kellee Fritzal, Deputy Director of Economic Development

**Subject:**

**Adopt Resolution No. 2019-18 directing the execution and recordation of a Notice of Cessation of Special Tax - Improvement Area B of the City of Huntington Beach Community Facilities District (CFD) No. 2002-1 (McDonnell Centre Business Park)**

**Statement of Issue:**

The Boeing Realty Company is in escrow to convey portions of its property to the Sares Regis Group, an Irvine based development firm, for development. City Council authorization is requested to adopt Resolution No. 2019 -18 authorizing the execution of a Notice of Cessation of Special Tax pertaining to "Improvement Area B" of the City of Huntington Beach Community Facilities District No. 2002-1 (McDonnell Centre Business Park). This action is necessary for Boeing and the Sares Regis Group to proceed with the development of "Improvement Area B" in the McDonnell Centre Business District.

**Financial Impact:**

There are no fiscal impacts associated with the removal of the tax lien. No bonds or other obligations have been issued or incurred with respect to Improvement Area B of Community Facilities District No. 2002-1, and no special taxes were levied on it. The removal of Improvement Area B from the District will provide Boeing with clear marketable title to consummate the sale of the property, which will allow the buyer of the property to proceed with planned development.

**Recommended Action:**

A) Adopt Resolution No. 2019-18, "A Resolution of the City Council of the City of Huntington Beach Directing the Execution of a Notice of Cessation of Special Tax - Improvement Area B of the City of Huntington Beach Community Facilities District No. 2002-1 (McDonnell Centre Business Park);" and,

B) Authorize the City Manager and City Clerk to execute and record the Notice of Cessation and other related documents and actions.

**Alternative Action(s):**

Do not adopt the Resolution and direct staff as necessary.

**Analysis:**

On April 1, 2002, the City Council adopted Resolution No. 2002-26 establishing the City of Huntington Beach Community Facilities District No. 2002-1 (McDonnell Centre Business Park) (the "District"), and designating two separate Improvement Areas, A and B, within the District. The District was formed in order to provide financing for public infrastructure improvements needed for the McDonnell/Boeing Development, and the Improvement Areas were established to coincide with the expected phases of development of the McDonnell/Boeing site.

The District formation proceedings authorized the levy of special taxes on parcels in each of the two Improvement Areas, with the proceeds of the special taxes levied in an Improvement Area to be used to repay bonded indebtedness incurred for the respective Improvement Area. In addition, the special taxes levied were to pay for infrastructure improvements authorized to be funded for the Improvement Area, and to pay the costs of administering the District and any bonds issued for the Improvement Area. Under the applicable provisions of the Government Code, the Improvement Areas are effectively separate and distinct from each other, and bonds or other obligations of one Improvement Area are payable solely from the proceeds of the special taxes levied in that Improvement Area.

On June 17, 2002, the City issued \$4.9 million principal amount of special tax bonds, for Improvement Area A of the District. These proceeds have been used to finance public infrastructure improvements as part of the McDonnell/Boeing site that were authorized to be funded pursuant to the proceedings to form the District. The bonds are payable solely from special taxes levied on property in Improvement Area A of the District. To date, no bonds or other obligations have been issued or incurred with respect to Improvement Area B of the District, and no special taxes were levied on Improvement Area B.

The Boeing Realty Company is in escrow to convey portions of the properties located in Improvement Area B to Sares Regis Group, an Irvine based development firm, which will develop the properties. Upon the close of escrow, the development firm has indicated that they will move forward with the development of the initial phase, which includes property located in Improvement Area B of the District. Boeing has requested that the City take action to remove Improvement Area B from the District. The removal of Improvement Area B from the District will provide Boeing with clear marketable title to consummate the sale. The removal of Improvement Area B requires City Council to adopt a Resolution in order to dissolve Improvement Area B and to release the special tax lien.

The City Council, by adopting the Resolution, has determined that the District has not and will not in the future levy special taxes on property in Improvement Area B, effectively removing the property from the District. The Resolution directs the City Clerk to record a Notice of Cessation of Special Tax in the County Recorder's Office, in a form required by the Government Code.

**Environmental Status:**

Not applicable

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. Resolution No. 2019-18
2. Map of City of Huntington Beach Community Facilities District No. 2002-1