University Glen Special Tax Background and Application to Current Phase 1 Residents

Origin of the Special Tax

- The California State University Channel Islands Site Authority was created per California Government Code Title 7.75. California State University, Channel Islands Site Authority Act.
    - Purpose of the Site Authority, per the statute, is "to provide a specific reuse plan for and to finance and support the transition of the property known as Camarillo State Hospital from its former use to a new state university campus and compatible uses."[1]
    - Under the statute, the Site Authority is given "the power to issue bonds, notes, and other debt instruments."[2]
- The Site Authority entered into a Joint Powers Agreement with the CSU to create the California State University Channel Islands Financing Authority.[3]
    - Purpose of the Financing Authority was to finance public capital improvements, and has within its powers, the power to issue bonds.[4]
- In November 2000, the Financing Authority formed a Community Facilities District (CFD) under the terms of the Mello-Roos Community Facilities Act of 1982 and authorized the levying of a special tax for payment of facilities authorized to be financed by the CFD.[5]
- In April 2001, the Financing Authority adopted an ordinance levying a special tax on all taxable parcels within the CFD.[6]
- On June 1, 2001, the Financing Authority issued $49,460,000 in revenue bonds for purposes of financing infrastructure supporting the development of the University Glen residential area.[7]
    - The bonds were authorized to be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985.[8]
    - Through three loan agreements, the proceeds of the bonds are delivered to the Site Authority for the purpose of constructing the infrastructure.
    - Each loan agreement corresponds to one of three distinct sources of revenue that provides the source of repayment for obligations under its respective loan agreement. These three distinct sources of revenue are:
        1. Special taxes collected by the CFD
        2. Tax increment revenues received by the Site Authority

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[1] Cal. Gov't Code §67473(b).
[2] Cal. Gov't Code §67476(b)(1).
[3] CSUCI Financing Authority Agreement, a joint exercise of powers agreement by and between the Trustees of the California State University and the California State University Channel Islands Site Authority, Mat 10, 2000.
[4] Id.
[5] CSUCI Financing Authority Resolution No. FA 00-11-02.
[6] CSUCI Financing Authority Ordinance No. FA 2001-01.
[7] Official Statement, CSUCI Financing Authority Revenue Bonds, 2001 Series A (East Campus Community Infrastructure Development).
[8] Id., p.1.

    3. Rental income collected by the Site Authority[9]
  - The three loan agreements are the following:
    1. Master Special Tax Loan Agreement: Agreement under which the CFD is obligated to levy and collect special taxes, the proceeds of which are applied to repay a Special Tax Loan in the amount of $49,460,000.
    2. Master Tax Allocation Loan Agreement: Agreement under which the Site Authority agrees to repay a Tax Allocation Loan amount of $49,460,000 from the tax increment revenues collected by the Site Authority.
    3. Master Rental Housing Revenue Loan Agreement: Agreement under which the Site Authority agrees to repay a Rental Housing Revenue Loan amount of $49,460,000 from 20% of the gross rental housing revenues received by the Site Authority.[10]
  - The bonds, in turn, are secured by payments received by the three loan agreements.
  - The loan agreements each covered the full amount of the infrastructure bonds in case one or more sources couldn't generate sufficient revenue.
- The special tax is tied to the underlying Master Special Tax Loan Agreement and is used to repay the loan under that agreement.[11]
  - Nowhere in the ordinance adopting the special tax is the life of the special tax tied to the term of the original infrastructure bond issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985.[12]
  - Per Ordinance No. FA 2001-01, the special tax is "levied on all taxable parcels within Community Facilities District No. 2000-1 ('CFD No. 2000-1') for the 2001-2002 tax year and for all subsequent years of the authority to levy this special tax."[13]
  - *Per Cal. Gov't Code section 53330.5, "the special tax may be levied only so long as it is needed to pay the principal and interest on debt incurred in order to construct facilities under authority of this chapter, or so long as it is needed to pay the costs and incidental expenses of services or of the construction of facilities authorized by this chapter."[14] In this case, the debt incurred is the loan under the Master Special Tax Loan Agreement.*
  - Under the Financing Authority resolution forming the CFD and authorizing the levy of the special tax, the term of the special tax is for a period not to exceed fifty years, ending with Fiscal Year 2050-51.[15]
- As units were built in University Glen and the Financing Authority began collecting the special tax, revenues from the special tax went to paying the trustee under the Master Special Tax Loan Agreement, and the loan payments were then used to pay the bond holders.[16]

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[9] Id., p.3.
[10] Id., pp.3-4.
[11] Master Special Tax Loan Agreement between Community Facilities District No. 2001- and U.S. Trust Company, National Association, June 1, 2001, §3.01.
[12] CSUCI Financing Authority Ordinance No. FA 2001-01.
[13] Id.
[14] Cal. Gov't Code §53330.5.
[15] CSUCI Financing Authority Resolution No. FA 00-11-02.
[16] Master Special Tax Loan Agreement between Community Facilities District No. 2001- and U.S. Trust Company, National Association, June 1, 2001, §2.01.

  - Units were assessed a special tax based on each unit's pro rata share of the overall special tax assessment for the development based on the assumption that more units would be added over time.
  - Early homeowners were not required to prepay the special tax obligation on behalf of other units planned for the development or assume responsibility for that share until the new units were built.
- The Special Tax is collected by Ventura County along with property taxes.

Subsequent Bond Refinances

- The first repurchase and refinance of the original infrastructure bonds issued by the Financing Authority occurred in 2007.[17]
  - The infrastructure bonds were part of a larger refinancing of $192,525,000 in bonds issued by the Financing Authority for construction of University Glen housing as well as infrastructure.[18]
  - The outstanding bonds were refinanced through the issuance of Systemwide Revenue Bonds (SRBs) by the Trustees of the California State University.[19]
  - The refinancing provided savings through lower debt service, elimination of fees on bank letters of credit, and reduced administrative costs.[20]
  - The Ground Lease between the CSU and the Site Authority was amended at the same time as the bonds were refinanced. This lease is referred to as the Third Amended and Completely Restated Ground Lease.[21]
    - Section 7.1 of the Ground Lease acknowledges that Sublessees' (which includes homeowners) possessory interests are subject to the special tax to pay for the debt obligations. The Site Authority, under the Ground Lease, is required to continue to require "Sublessees" to pay the special tax under the terms of any subleases.[22]
  - *The refinance did not affect the special tax assessed to homeowners nor did it eliminate the Special Tax Loan obligation under the Master Special Tax Loan Agreement. Homeowners continue to be assessed only for their pro rata share of the overall debt associated with the special tax.*
- The second bond refinance occurred in 2017.
  - The SRBs, including the outstanding sums attributable to the original infrastructure bonds, were refinanced to obtain further savings.
  - The payoff schedule for the bonds was extended from 2031 to the end of 2037.

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[17] CSUCI Site Authority Resolution No. SA 07-01-01.
[18] Id.
[19] Id.
[20] Id.
[21] Third Amended and Completely Restated Ground Lease by and between the Trustees of the California State University and the California State University Channel Islands Site Authority, March 14, 2007.
[22] Id. §7.1, pp.12-13.

Impact of 32-Acres Development

- With the 32-acre project—a public-private partnership—the use of the property was converted from public to private use.
    - This change in use could have affected the tax-exempt status of the infrastructure bonds.
    - Due to this change in use and to avoid the impact to the bonds' tax-exempt status, the Site Authority defeased a portion of the infrastructure bonds attributable to the 32 acres.
        - Roughly $2 million was defeased related to the 32-acre site.
- New infrastructure is being built for the 32 acres, the cost of which is being borne by the developer.[23]
- Assumption is that this cost will be passed through, in part, to the cost of the single-family homes.
- Single family homeowners, together with the apartment owners, will be responsible for paying a maintenance fee to the Site Authority for the maintenance, repair and replacement of the new infrastructure in the 32-acres.[24]
- Only 32-acre tenants (not Phase 1 tenants) will be responsible for the cost of the new infrastructure and its maintenance.
- Based on the defeasance of the original bonds and the costs of the new infrastructure, the decision was made in consultation with the CO, legal counsel and the Site Authority Board Chair to exclude sublessees in the 32-acres from the special tax.

Summary

- The special tax is tied to the Master Special Tax Loan Agreement, not the original infrastructure bonds issued by the Financing Authority.
- *As the bonds were refinanced, the special tax loan repayment obligation originating under the Master Special Tax Loan Agreement and continuing through the Third Amended and Completely Restated Ground Lease remained in place and was still outstanding. Therefore, the Phase 1 homeowner's obligation to pay the special tax did not go away.*
- Phase 1 homeowners pay only their pro rata share of the special tax and have not been paying a share of the debt associated with undeveloped units in the 32 acres.
    - The portion of the special tax that would have been attributable to the 32 acres was never assessed because those units were never built.
- The Site Authority defeased the portion of the bonds attributable to the 32-acres in 2017 in order to maintain the tax-exempt status of the bonds.
- New tenants in the 32-acres will be solely bearing the cost of the new infrastructure built in that development and will not be levied an additional special tax for the infrastructure previously built in the University Glen.

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[23] Ground Sublease (Phase II Master Sublease) by and between California State University Channel Islands Site Authority and KW Camarillo Land, LLC, September 27, 2021, §7.3, p.23.
[24] Id., Ex. G. Form of Marketing Agreement, Ex. D. Form of Buyer Sublease, §4.3, p.7.