THE CITY OF
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Hamilton Community Facilities District – Frequently Asked Questions

Q: What is the Hamilton Community Facilities District ("CFD") and why was it formed?

A: The CFD was formed in 1995 as part of the initial development of the Hamilton neighborhoods. Given the significant amount of public improvements that were necessary for the area, the CFD was utilized as a financing mechanism to fund those improvements. CFDs (also known as "Mello Roos" districts) are a common financing tool used for new development in California that allows a developer to pass the costs of construction and ongoing maintenance of required public improvements on to future property owners. Property owners within the boundaries of the CFD are assessed an additional annual tax levy to fund the required improvements.

Q: What's the difference between a CFD and a Mello-Roos?

A: There is no difference. "Mello-Roos" is a common name for the law that was passed in 1982 allowing "community facilities districts" to be formed. A CFD is the district itself. These districts are sometimes referred to as "Mello-Roos Districts" or other similar names.

Q: What improvements were initially constructed for the CFD?

A: The CFD issued $25 million in bonds in 1995 to construct the following: the Hamilton levee; roadway improvements, including pavement, landscaping, bridges, bike and pedestrian paths, lighting, signals, retaining walls, hydrants, etc.; a complete storm drainage system, including 2 pump stations; sewer and water lines; landscaping improvements and medians; miscellaneous improvements including reconstruction of the Main Gate structure, bus shelters, park and ride lots, and bat habitat.

Q: What is maintained / operated on an ongoing basis with CFD funds?

A: A portion of the annual CFD levy is used for maintenance and operation of the levee, storm drainage systems and pump stations, and landscape maintenance and irrigation.

Q: How is the tax calculated?

A: The tax calculation is complex and is based on a number of factors related to the original parcels that were deeded to the City from the federal government, and how those parcels were ultimately subdivided. The "facilities tax" is collected to pay the debt service on the initial construction and any pay-as-you-go improvement projects that are needed in the district. The "services tax" is collected to fund the ongoing maintenance and operations in the district; this portion of the tax is typically increased by an inflation-type escalator each year. As a rough example, if your annual CFD tax is $2,600, approximately $1,900 is going toward the "facilities tax" (debt payments and pay-as-you-go improvements) and $700 is contributing to the "services tax" (annual maintenance and operations).

Q: How long does the tax last? Can the time period of the CFD be extended? If so, who can extend it?

A: The debt for the CFD is paid off in 2025. While the district could continue levying tax through 2035 for pay-as-you-go improvements, there is no plan or proposal to do so. While some amount of tax could theoretically be levied from 2025 – 2035, this tax could only be levied for "pay-as-you-go" improvements (not new bonds). Additionally, no parcel within the CFD can pay the tax for more than 30 years total. So, the City's ability to tax beyond 2025 is severely limited anyway. The City Council ultimately approves the expenditure budget for the CFD each year; in that way, the City Council determines whether or not additional taxes need to be collected. The services tax component of the CFD continues in perpetuity.

Q: Two areas in Hamilton are not included in the CFD. Why not?

A: Staff understands that the Hamilton Villas (senior affordable housing) and the San Pablo Ct subdivision (aka "Hideaway") are the 2 areas that are not in the CFD. In the case of the Hamilton Villas, as deed restricted affordable housing units for seniors, the City did not require annexation to the CFD. This is similar to the other affordable communities in Hamilton (Creekside, etc). While we understand that there is a commercial component to the project, the buildings are all on 1 parcel and the parcel is exempted from the CFD.

The reasons for the Hideaway relate to a historical anomaly with how the original levee and other improvements were financed. The total cost of the Hamilton public improvements was more than the total amount that could be bond-financed with the CFD bond. As part of the negotiations, one of the Hamilton developers contributed cash up-front to help bridge the gap in financing. In recognition of this contribution, when the Hideaway subdivision moved forward, that developer's prior contributions toward the Hamilton infrastructure were equated with the Hideaway's proportionate share of the infrastructure. Credit for this prior contribution meant that the City did not require the developer to contribute anything additional (via the CFD) for the infrastructure. However, this did not exempt the Hideaway from ongoing maintenance obligations, which is why the City required a "Landscape and Lighting District" formed for the Hideaway. The annual assessment for the Landscape and Lighting District is exactly equal to the maintenance component of the Hamilton CFD.

Q: Have the bonds been re-financed to take advantage of lower interest rates?

A: Yes, the bonds have been re-financed twice. The first re-financing took place in 2004, with the public issuance of re-funding bonds. The second re-financing took place in 2014 with a privately placed bank loan. The interest rate on the 2014 loan is 2.8%. The re-financing in 2014 saves the CFD $230,000 annually in interest costs (this savings is currently being utilized for capital improvements to the levee; see below for more discussion of these projects).

Q: I've heard about some CFD projects related to the levee over the past 10 years; what were those?

A: Beginning in 2005, several capital improvement projects were identified to maintain the long-term viability of the levee. First, due to some settling of the levee (which is built on top of bay mud) over time, the City raised the height of the levee and the splash wall back to its original height. Second, due to some seepage that was occurring at the levee, the City constructed drainage improvements (often referred to as "toe drains") designed to discharge water into the storm water pump station. These improvements were critical to the long-term health and function of the levee, and have allowed the City to maintain its FEMA certification for the levee. A second phase of the toe drain project is planned and budgeted in the current fiscal year budget.

Q: How were these levee projects funded?

A: By 2005 when the levee projects began, the CFD had an accumulated balance in the fund of approximately $1 million. The levee-raising project and the first phase of the toe drain project spent down this money, but in total required $1.6 million to complete the projects. This deficit of $600,000 was loaned to the CFD by the City's General Fund. The CFD has been paying back the General Fund for several years, and is slated to finish paying off the loan this year. However, the second phase of the toe drain project will cost an additional $700,000 and will create a new loan from the General Fund. The interest cost savings from the re-financing ($230,000 annually) is currently being used to finance these levee improvements by re-paying the General Fund loans. At current assessment levels, it will take the CFD another 3-4 years to repay the General Fund.

Q: What is the difference between the Hamilton Trust and the Hamilton CFD?

A: While the naming of these two entities may indicate that they are similar or related, they are actually quite different. As described above, the Hamilton CFD was set up as a Mello Roos tax district to fund the construction and maintenance of public infrastructure necessary to create the Hamilton neighborhoods. In contrast, the Hamilton Trust is a permanent trust fund that was set up and deposited by the Hamilton developer to mitigate impacts on basic City services (police, street maintenance, recreation, etc) caused by the construction of a large number of new homes. The trust funds sit in an irrevocable trust to be invested, and the investment earnings on the trust come back to the City as General Fund revenue. The principal or "corpus" of the trust can never be spent.

If you have additional questions about the Hamilton CFD or the Hamilton Trust, please contact:

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