

**NORTH COUNTY LIBRARY AUTHORITY LIBRARY
REDEVELOPMENT TASK FORCE**

THURSDAY, MAY 3, 2018 – 3:30 P.M.

Los Altos Youth Center
1 North San Antonio Road, Los Altos, California

ESTABLISH QUORUM

ITEMS FOR CONSIDERATION/ACTION

1. Meeting Minutes: Approve the minutes of the April 5, 2018 meeting
2. Final Recommendation to North County Library Authority Board: Recommend the North County Library Authority Board move forward with exploration of the redevelopment of the Main Library, specifically to tear down the existing building and replace it with a 40,000 square-foot building, with recommended next steps
3. Informational items: Receive information and announcements from staff
4. Future meetings: Discuss agenda items and topics for future meetings

ADJOURNMENT

SPECIAL NOTICES TO THE PUBLIC

In compliance with the Americans with Disabilities Act, the North County Library Authority will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the Los Altos City Clerk 72 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for NCLA Library Redevelopment Task Force items may be viewed on the Internet at <http://www.losaltosca.gov/meetings>.

If you wish to provide written materials, please provide the Task Force Staff Liaison with 10 copies of any document that you would like to submit to the Task Force for inclusion in the public record.

For other questions regarding meeting procedures, please contact the Los Altos City Clerk at (650) 947-2720.

MINUTES OF THE MEETING OF THE LIBRARY REDEVELOPMENT TASK FORCE OF THE NORTH COUNTY LIBRARY AUTHORITY, HELD ON APRIL 5, 2018, AT 3:30 P.M. AT HILLVIEW COMMUNITY CENTER, ROOM 2, 97 HILLVIEW AVENUE, LOS ALTOS, CALIFORNIA

ROLL CALL

PRESENT: Cindy Hill, Chair (Los Altos Library Commission), Mary Jo Kelly, Vice Chair (Friends of the Library), Jean Mordo (North County Library Authority), Bob Simon (Los Altos Library Endowment). Non-voting advisors: Marlene Iwamoto (Santa Clara County Library)

ABSENT: None

ITEMS FOR CONSIDERATION/ACTION

1. Meeting Minutes

Action: Upon a motion by Jean Mordo, seconded by Bob Simon, the Task Force unanimously approved the minutes of the March 22, 2018 meeting.

2. Architectural Feasibility Assessment

Bennett Martin and David Rapp of STRATAap presented the Architectural Feasibility Assessment.

Public Comments: The following provided public comments: Diane Schmidt, Suzanne Epstein and Larry Epstein.

Task Force members discussed the Needs Assessment Update and asked follow up questions related to the information presented. The Task Force requested additional information related to the cost of renovating the original part of the Library. The Task Force also discussed the next steps in developing a recommendation to the North County Library Authority, including education on the differences between a parcel tax and a bond measure and the pros and cons of each.

3. Informational items

Staff presented information regarding ballot measures and the City of Los Altos' naming policy.

4. Future meetings

The Task Force determined that the next meeting would be on April 26, 2018 at 3:30 p.m.

ADJOURNMENT

Chair Hill adjourned the meeting at 4:36 p.m.



DATE: May 3, 2018

AGENDA ITEM # 2

TO: North County Library Authority Library Redevelopment Task Force

FROM: Jon Maginot, City Clerk/Assistant to the City Manager

SUBJECT: Final recommendation to North County Library Authority Board

RECOMMENDATION:

Recommend the North County Library Authority Board move forward with exploration of the redevelopment of the Main Library, specifically to tear down the existing building and replace it with a 40,000 square-foot building, with recommended next steps

BACKGROUND

On December 19, 2017, the North County Library Authority (NCLA) initiated a Task Force to explore redevelopment of the Main Library. This Task Force consisted of a representative from NCLA, the Los Altos Library Commission, the Friends of the Library (Friends) and the Los Altos Library Endowment (LALE). The purpose of the Task Force was to begin to explore options for redeveloping the Library, either through expansion and remodel or a complete re-build.

DISCUSSION

As part of the initial steps of the process, the Task Force recommended updating the 2008 Library Services and Space Needs Assessment and conducting an architectural feasibility study to determine the advantages/disadvantages (including cost) of remodel/expansion of the existing facility compared to building a new library.

NCLA engaged the services of Group 4 to update the Needs Assessment and STRATAap to conduct the feasibility study. The final results of these two projects were presented at the March 22, 2018 and April 5, 2018 Task Force meetings respectively.

Existing Facility

The Main Library was built in the late-1950s or early-1960s. The building was expanded in the early-1990s to bring the total square footage to 28,050.

Needs Assessment

The results of the Needs Assessment Update indicate that the community needs, at a minimum, a 40,000 sq. ft. library. This is based on current usage of the library as well as projected future needs. While the Needs Assessment Update indicates a need for additional square footage, it does not specify how that square footage should be used. Rather it recommends further dialogue within the community about library space and service priorities.



DATE: May 3, 2018

AGENDA ITEM # 2

AGENDA REPORT

Architectural Feasibility

The architectural feasibility study looked at whether it was possible to expand the library by 9,000 or 11,000 sq. ft. and the cost for either option as well as building a new, 40,000 sq. ft. library on the site and its costs. The study determined that all three options are possible, though the related costs for expansion (\$19.9 million for 9,000 sq. ft., \$22.1 million for 11,000 sq. ft.) seem to make expansion cost-prohibitive. The third option of building a new, two-story library seems to be the most logical option.

At the April 5, 2018 Task Force meeting, members of the Task Force discussed next steps in developing a recommendation to the North County Library Authority. Included in the information needed to form a recommendation was information on the differences between a parcel tax and a bond measure and the pros and cons of each.

Staff reached out to Bryan Godbe of Godbe Research Associates regarding providing information for the April 26, 2018 Task Force meeting. Mr. Godbe indicated that bond measures tend to poll and fare better than parcel taxes. The advantage to a parcel tax is that everyone pays the same amount. This however can also be a disadvantage as the individual who has owned their home for seventy years pays the same amount as the \$100 million commercial property that sits on one parcel.

Mr. Godbe's recommendation, and staff concurs, is to, as a next step, conduct a community survey that tests both a bond measure and a parcel tax. This is done in a split-sample survey and would help to determine whether one method is preferred over the other. It is recommended to conduct the survey before implementing an outreach campaign as the survey may indicate there is already sufficient support for a revenue measure. As well, the survey can inform what type of education should be done to garner the support needed.

In addition to information from Mr. Godbe, Best, Best & Krieger (BBK), the legal counsel for NCLA, has provided a memo regarding financing strategies for a new library. This memo does not recommend a certain strategy, but provides general information regarding various strategies.

Recommended next steps

It is recommended that the Task Force recommend to NCLA to move forward with exploration of the redevelopment of the Main Library, specifically to tear down the existing building and replace it with a 40,000 sq. ft. building. Further, to recommend that the next steps are to 1) conduct a community survey to gauge potential support for a revenue measure and 2) begin developing an educational campaign to inform the community regarding the needs for the Main Library and to gather input into what services and programs the community desires.

Attachment: Memo from Best, Best & Krieger



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Memorandum

To: North County Library Authority **File No.:**
From: General Counsel's Office
Date: April 25, 2018
Re: Financing Strategies for New Library

BACKGROUND

The North County Library Authority ("Authority") is a joint powers authority formed by the City of Los Altos ("City") and the Town of Los Altos Hills ("Town"). The Authority was formed by a Joint Exercise of Powers Agreement ("Agreement") between the City and the Town, dated as of August 1, 1985. The Authority Commission ("Commission") is the Authority's governing body, and its members are appointed to four year terms by the City and Town. Agreement, section 6. The Agreement authorizes the Authority to impose special taxes, including through the formation of a Mello-Roos Community Facilities District ("CFD"), and to incur debt. Government Code sections 53316 and 53317(h); Agreement, sections 5, 13.

The Authority is exploring options to generate funds for the tear-down and re-build of a library (the "Library"). The current estimated cost is \$60 million. The Authority currently levies a parcel tax at a rate of \$76 per year on each developed parcel of land within the City and the Town, which will sunset in the fiscal year beginning July 1, 2029.

ISSUE

You have asked us to provide a general overview of various revenue and financing options available to the Authority.

SHORT ANSWER

The Authority may issue special taxes, including parcel taxes, to establish a revenue stream and secure revenue bonds. Similarly, the Authority may form a CFD on all or a portion of the Authority's territory, which can impose a special tax to secure bonds. Any special tax, including parcel taxes and Mello-Roos taxes, will require approval of at least two thirds of votes cast on such proposition¹.

Alternatively, the Authority may consider lease revenue bonds. The Authority would enter into lease agreements with the Town and the City, whereby the Town and the City

¹ There is a pending petition for an initiative measure that would limit special tax measures. Significantly, this initiative measure would require special tax elections (likely including a Mello-Roos tax) to be consolidated with a general election on which members of the Commission are up for election.



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would lease certain property² to the Authority for a nominal price, and lease such property back from the Authority for annual rental payments. The Authority would issue bonds secured by such lease revenues, and debt service payments would equal the lease payments received by the Authority. This approach avoids voter approval requirements, but the Town and City must have sufficient property to lease, and must also be willing to encumber such property for these purposes.

ANALYSIS

The Authority is a joint powers authority formed under the Joint Exercise of Powers Act (the “Act”), Government Code section 6500 *et seq.* The Authority is authorized to exercise any power common to the Town and the City, including without limitation to levy a fee, assessment or tax, to form a CFD, to issue debt, and to purchase local obligations. *See, e.g.*, Government Code sections 6502, 6508, 6540 *et seq.*, 6588.

I. Parcel Taxes And Other Special Taxes

The Authority is authorized to impose special taxes, including parcel taxes. Government Code section 6502; Government Code section 50075; Agreement, section 5; *see* Cal. Const. art. XIII C, sec. 3(a)(2). Like the parcel tax currently imposed by the Authority, a new parcel tax would include levies on parcels, typically set at some fixed amount per parcel, that are not based on the property’s value.

A. *Requirements for Imposition of Special Taxes*

Special taxes require approval by two thirds of the votes cast by voters voting on the proposition. Cal. Const. art. XIII C, sec. 2. In order to submit the special tax measure to the qualified electors for approval, however, the Commission is required to adopt an ordinance or resolution after a noticed public hearing. Government Code section 50077(a). The ordinance or resolution must describe the type of tax, rate of tax, method of collection, and the date for the election. *Id.* The Commission can provide for the collection of the special tax in the same manner and subject to the same penalty as collection of the existing parcel taxes or other taxes imposed by the Authority. Government Code section 50077(b).

B. *Issuance of Special Tax Revenue Bonds*

Once the voters approve the tax and all necessary steps are taken, the Authority can begin imposing and collecting the tax. The Authority is further authorized under Article 2 of the Act to issue bonds secured by such tax revenues to pay the costs of constructing the Library. Government Code section 6546(p). The procedures for issuing such revenue bonds are described in detail in Article 2 of the Act, but generally require the Authority to adopt an ordinance describing the general terms of the project, the maximum amount of the bonds proposed to be

² Typical property used in such an arrangement is unencumbered public improvements such a city hall, a police station or stations, or other government buildings.



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issued, and the anticipated sources of revenue to redeem the bonds. Government Code section 6547. The ordinance must state that it is subject to the provisions for referendum. *Id.*

The Authority must publish notice of the enactment of the ordinance described above within 15 days after adoption. Government Code section 6547.2. The terms and conditions of the special tax revenue bonds must be described in detail in the form of an indenture, which must contain the covenants relating to repayment of the bonds, describe or state the revenues and funds from which the bonds may be paid, and contain information relating to payment of principal and interest on the bonds, and other required information as provided under the Act. Government Code sections 6549-6550, 6553-6561.

Once issued, the bonds will be limited obligations of the Authority, payable only from the revenues pledged for such purpose. Government Code sections 6549, 6550.

II. Community Facilities District Act Of 1982

The Authority can also form a CFD to levy a special tax and issue bonds pursuant to the Mello-Roos Community Facilities District Act of 1982, commencing with Government Code section 53311 (“Mello-Roos Act”). Government Code sections 53316-53317; Agreement, section 5. A CFD is a quasi-governmental entity that may borrow money to finance public improvements by levying special taxes (“Mello-Roos Taxes”) on property within the CFD, and issuing bonds secured by the special taxes. Government Code sections 53340 *et seq.* Once approved, a special tax lien is placed against each property upon which the Mello-Roos Tax will be imposed. Bonds secured by Mello-Roos Taxes may be used to finance, among other things, the cost of constructing the Library. Government Code section 53313.5(c).

Mello-Roos Taxes are special taxes subject to the same two-thirds voter approval requirement as parcel taxes. However, the Mello-Roos Act provides alternative and often streamlined procedures for imposition of Mello-Roos Taxes and issuance of bonds. In addition, the Mello-Roos Act provides flexibility to the Authority to carve out boundaries based on the Authority’s determination of fairness. While the Authority may not impose Mello-Roos Taxes based on value of property, the Authority may consider whether the Library will benefit certain areas and not others, and establish boundaries for the CFD accordingly.

Typically, the formation of a CFD to finance facilities involves three proceedings, which are distinct but often combined and run concurrently: (1) formation of the CFD and authorization of the Mello-Roos Tax; (2) authorization of bonded indebtedness for the CFD; and (c) establishment of the appropriations limit for the CFD.³

³ This memorandum assumes any tax proceeds will be used exclusively for costs of constructing the Library. A CFD may also be formed to finance costs of ongoing library services. However, to the extent the Mello-Roos Tax imposed for such purpose is approved by landowners, it may not be used to fund existing services. Government Code section 53313.



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A. *Formation of a CFD; Imposition of Mello-Roos Taxes*

The Commission's first step is to institute proceedings to form a CFD, either by written request of at least two members of the Commission, a petition signed by the owners of at least 10% of the property to be subject to the Mello-Roos Tax, or a petition signed by at least 10% of the registered voters in the territory proposed to be included in the CFD. Once proceedings are instituted, the Commission must adopt a resolution stating its intention to establish the CFD within 90 days, which must contain information relating to the CFD including its proposed name, boundaries, public facilities to be financed, stating that a special tax sufficient to pay for the Library will be levied, secured by recordation of a lien against the property within the proposed CFD, and fix a time and place for a public hearing between 30 to 60 days after adoption of such resolution. Government Code sections 53320-53321.

Notice of the public hearing must be published and completed at least 7 days prior to the public hearing, and must provide a the text or a summary of the resolution of intention, the time and place of the hearing, and a statement that the testimony of all interested persons or taxpayers for or against the establishment and extent of the CFD shall be heard. The notice must further describe voting procedures and the effect of any protests filed against the formation of the CFD. Government Code section 53322. If protests are filed by 50% or more of the registered voters (or 6 registered voters, whichever is more), or the owners of one-half or more of the area of the land in the territory proposed to be included in the CFD, the Commission may not take any further action to form the CFD for a period of one year. Government Code section 53324.

If no majority protest occurs, the Commission may adopt a resolution forming the District, which (among other things) sets forth the facilities to be financed, and the boundaries of the proposed CFD (by reference to the book and page in the Book of Maps of Assessments and Community Facilities Districts in the county recorder's office). Government Code section 53325.1. The Commission must then submit the levy of the Mello-Roos Tax to the voters, and the proposition may be combined with propositions for bonded indebtedness (described below) as well as establishing an appropriations limit for the CFD. The election must occur between 90-180 days after adoption of the resolution of formation. Government Code section 53326. The election must be a registered voter election unless there are less than 12 people within the proposed CFD.⁴ The election may be conducted by mailed ballot if less than 5,000 registered voters are within the proposed CFD. Elections Code section 4000(c)(2).⁵

⁴ Although no court has explicitly held that a landowner election for special taxes violates the California Constitution where registered voters reside within the territory to be taxed, at least one California Court of Appeal has indicated (albeit in dicta) that such an election may violate article XIII C, section 2 of the California Constitution. *City of San Diego v. Shapiro* (2014) 228 Cal.App.4th 756. In these instances, agencies may validate proceedings to form a CFD and impose a special tax to insulate themselves from future challenge.

⁵ Another advantage of forming a CFD (although it may be inapplicable in this instance) is that many of the formalities and timetables required under the Elections Code and the Mello-Roos Act may be waived by unanimous consent of landowners or registered voters. This is most often beneficial in the instance of forming a CFD with property owned by a single developer or a small group of developers. In the Authority's case, where the CFD will encompass populated territory within the City and the Town, this particular feature may not prove to be useful.



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If the measure passes, the newly formed CFD will be authorized to impose the Mello-Roos Tax on properties within the CFD, pursuant to the method of apportionment of the Mello-Roos Tax adopted by the Commission. A notice of special tax lien will be recorded against each property subject to the Mello-Roos Tax. Government Code section 53328.3.

B. *Issuance of Bonds*

CFDs are authorized to issue bonds secured by the Mello-Roos Tax revenues collected from properties within the CFD. Similar to revenue bonds issued by the Authority and secured by a parcel tax, such bonds would be special and limited obligations of the CFD secured only by the Mello-Roos Tax revenues, and other funds pledged to repayment of the bonds. Importantly, the bonds would not be an obligation of the Authority.

In order to initiate proceedings to issue debt, the Commission must first adopt a resolution to incur bonded indebtedness. This resolution must declare the necessity for debt, and describe the purposes of the debt, the maximum amount of the debt, and the time and place for a public hearing. Government Code section 53345. Notice must be published prior to the meeting summarizing the resolution, and stating the time and place of the hearing. Government Code section 53346. This resolution can be adopted at the same time as the Commission adopts its resolution of intention to form the CFD.

At the public hearing, which can be held at the same time as the public hearing on forming the CFD described in the previous section, the Commission must hear testimony from all interested persons. Government Code section 53349. If the Commission deems it necessary to issue bonds, and if there is no majority protest against the formation of the CFD and imposition of the Mello-Roos Taxes as described in the previous section, the Commission must adopt a resolution deeming it necessary to incur such debt. The resolution must also include information relating to the purpose, amount, repayment, and terms of the bonds to be issued, as well as the date of the special election to be held for such purpose. Government Code section 53351. The proposition for the bonds may be combined with the propositions to levy the special tax and to establish the appropriations limit of the CFD, and must be approved by two thirds of the qualified electors voting on the proposition. Government Code sections 53354-53355.

This approval will provide general authority to the CFD to issue bonds up to the voter approved amount, and subject to the terms set forth in such proceedings. Prior to issuing a specific bond issue, however, the particular bond documents and terms must be brought before the Commission for approval.

III. Implications of Tax Fairness, Transparency And Accountability Act of 2018

A petition for an initiative measure to amend the California Constitution is currently circulating throughout the state, and has already gathered more than 25% of the requisite signatures for consideration on the November 2018 statewide ballot. This initiative



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measure, known as the Tax Fairness, Transparency and Accountability Act of 2018 (the “Tax Fairness Act”), includes significant changes to how public agencies may raise revenue.

The Authority is considering a special tax measure to finance the library. If the Tax Fairness Act makes it onto the ballot and is approved by the voters, there are two significant changes applicable to the Authority’s plans. First, the Authority will be required to include a specific and legally binding and enforceable limitation on how revenues from the special tax can be spent. The Authority must also include a true and impartial statement of facts explicitly and affirmatively identifying each tax and the specific limitation on how the revenue therefrom can be spent.

IV. Lease Revenue Bonds

The Authority can avoid voter approval requirements by issuing lease revenue bonds. The Authority can issue lease revenue bonds under article 4 of the Act, which would be payable from and secured by revenues derived from separate lease agreements with the Town and the City. The Town and City would each identify sufficient property to lease to the Authority, the value of which would be greater than the principal amount of bonds issued. The Town and the City would then lease the property back from the Authority in exchange for “lease payments,” which would be equal to debt service on the Authority’s bonds. Proceeds of the bonds would be available for the Library project.

The main advantage to lease revenue bonds is avoiding voter approval requirements applicable to special taxes and CFDs. However, the Town and City will be incurring a general fund obligation to pay lease payments from funds appropriated for such purpose. Additionally, the Town and the City must have sufficient property to lease (i.e. approximately \$60 million worth of property, at a minimum), and must further be willing to encumber such property for these purposes.

CONCLUSION

The Authority may explore a number of options for financing the Library, including a new parcel tax or other special tax, formation of a CFD, or issuing lease revenue bonds. Voter approval will be required before imposing any new special tax, and if the Tax Fairness Act is approved, the Authority will be restricted in the dates on which a special tax election may be held. While voter approval is not required for lease revenue bonds, the City and the Town must have sufficient unencumbered property to lease, and must further be willing to encumber the property for such purposes.

CHRISTOPHER J. DIAZ
LUTFI KHARUF