CALL AND NOTICE OF SPECIAL MEETING AT 5:00 PM OF THE VALLEJO CITY COUNCIL

APRIL 27, 2026

COUNCIL MEMBERS
Andrea Sorce (Mayor)
Diosdado "JR" Matulac (Vice-Mayor)
Peter Bregenzer
Helen-Marie Gordon
Tonia Lediju, PhD
Alexander Matias
Charles Palmares

HYBRID MEETING
www.Cityofvallejo.net

REVISED AGENDA
Revised Title and Recommendation for Item 4A

Council Chambers
555 Santa Clara Street
Vallejo, CA 94590

NOTICE: Members of the Public will be able to participate in-person or remotely via Zoom	City Hall and the Council Chambers will be open to members of the public 30 minutes prior to the start of the meeting.
PUBLIC COMMENT: Members of the Public may provide public comments during the City Council Meeting in person or via ZOOM (https://ZoomRegular.Cityofvallejo.net), or via phone, by dialing (669) 900-6833.	For additional instructions on how to speak remotely during public comment, please visit, www.cityofvallejo.net/publiccomment
<u>VIEW THE MEETING:</u> There are four different ways you can view this public meeting: • In Person • Watch Vallejo local channel 28 • Stream from the City website: www.cityofvallejo.net/Streaming • Join the Zoom webinar: https://ZoomRegular.Cityofvallejo.net	Scan QR code for live captions and translation in Spanish and Tagalog.
Hybrid Options are available for members of the public to participate. To participate remotely	
<u>Option to Join by Computer</u> From your browser go to https://ZoomRegular.CityofVallejo.net to launch and join the zoom application. Meeting ID: 914 0075 0676# Meeting Password: 131313	**<u>Option to Join by Phone</u>** Dial (669) 900-6833 Enter Meeting ID: 914 0075 0676# Meeting Password: 131313 Press *9 to digitally raise your hand from the phone. Press *6 to unmute/mute
Any supplemental writing related to an agenda item for an open session of a regular meeting that is distributed to all or a majority of all members of the City Council less than 72 hours before the meeting will be posted concurrently on the City's website at www.cityofvallejo.net/agendas Written material distributed during the meeting, will be available at the meeting if prepared by the City or after the meeting if prepared by someone else. Such materials may be obtained from the City Clerk	

	Vallejo City Council Chambers ADA compliant. Devices for the hearing impaired are available from the City Clerk. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the City Clerk's office no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof

AGENDA

TO THE MEMBERS OF THE VALLEJO CITY COUNCIL:
You are hereby notified that I do hereby call the Vallejo City Council in special session to consider only the matters stated on the agenda listed below. NOTICE: Members of the public shall have the opportunity to address the City Council concerning any item listed on the agenda before or during consideration of that item. No other items may be discussed at this special meeting

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. ACTION CALENDAR

NOTICE: Members of the public wishing to address the Council on Action Calendar Items may do so in person by signing in to the Public Speaker's kiosk located in the back of the Council Chambers or via ZOOM (https://ZoomRegular.Cityofvallejo.net), or via phone, by dialing (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press *9 to digitally raise your hand from the phone. Press *6 to unmute/mute. For additional instructions on how to speak remotely during public comment, please visit, www.cityofvallejo.net/publiccomment. Each speaker is limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420 or as approved and announced by the Mayor. In person speakers will be recognized first

A. **PRESENTATION AND DIRECTION TO STAFF RELATING TO MARE ISLAND COMMUNITY FACILITIES DISTRICTS 2002-1, 2005-1A AND 2005-1B**

Recommendation: Consider and provide direction to staff relating to the Mare Island Community Facilities Districts (CFDs) 2002-1, 2005-1A and 2005-1B Staff recommends, as Council approved on March 26, 2024, that Council take no action at this time, but rather consider revisions to or replacement of the Mare Island CFDs in tandem with the implementation of the new Mare Island Specific Plan.
Contact: Gillian Haen, Assistant City Manager (707) 648-4163
Gillian.Haen@cityofvallejo.net

B. **RECEIVE AN INFORMATIONAL UPDATE REGARDING THE MARE ISLAND DEVELOPMENT AGREEMENTS, SPECIFIC PLAN UPDATE, BEAUTIFICATION PLAN, CONNOLLY CORRIDOR PROJECT, AND CORAL SEA VILLAGE SUBDIVISION**

Recommendation: Receive an informational update regarding the Mare Island Development Agreements, Specific Plan Update, Beautification Plan, Connolly Corridor Project, and Coral Sea Village Subdivision.

Contact: Gillian Haen, Assistant City Manager
Gillian.Haen@cityofvallejo.net
Hector Rojas, Long Range Planning Manager
Hector.Rojas@cityofvallejo.net

5. INFORMATION CALENDAR

NOTICE: Members of the public wishing to address the Council on Information Calendar Items may do so in person by signing in to the Public Speaker's kiosk located in the back of the Council Chambers or via ZOOM (https://ZoomRegular.Cityofvallejo.net), or via phone, by dialing (669) 900-6833. Enter Meeting ID: 914 0075 0676#. Press *9 to digitally raise your hand from the phone. Press *6 to unmute/mute. For additional instructions on how to speak remotely during public comment, please visit, www.cityofvallejo.net/publiccomment. Each speaker is limited to five minutes pursuant to Vallejo Municipal Code Section 2.02.420 or as approved and announced by the Mayor. In person speakers will be recognized first

6. ADJOURNMENT

ADDITIONAL CITY INFORMATION Members of the public can: • Like us on Facebook and Instagram (@cityofvallejo) • Sign up to receive City Communications via e-mail (www.cityofvallejo.net/subscribe) • Sign up for emergency alerts at: alertsolano.com	
Dated: Friday, April 24, 2026	Dawn G. Abrahamson for Andrea Sorce, Mayor
I, Dawn Abrahamson, City Clerk do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to Andrea Sorce (Mayor) Diosdado "JR" Matulac (Vice-Mayor) Peter Bregenzer Helen-Marie Gordon Tonia Lediju, PhD Alexander Matias Charles Palmares, at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 12:00 p.m., Friday, April 24, 2026.	
Dated: Friday, April 24, 2026	Dawn G. Abrahamson

ACTION ITEM 4.A.

DATE: April 27, 2026
TO: Mayor and Members of the City Council
FROM: Gillian Haen, Assistant City Manager
Erin Hanford, Economic Development Program Manager
SUBJECT: **PRESENTATION AND DIRECTION TO STAFF RELATING TO MARE ISLAND COMMUNITY FACILITIES DISTRICTS 2002-1, 2005-1A AND 2005-1B**

RECOMMENDATION

Consider and provide direction to staff relating to the Mare Island Community Facilities Districts (CFDs) 2002-1, 2005-1A and 2005-1B Staff recommends, as Council approved on March 26, 2024, that Council take no action at this time, but rather consider revisions to or replacement of the Mare Island CFDs in tandem with the implementation of the new Mare Island Specific Plan.

REASONS FOR RECOMMENDATION

While the Mare Island CFD 2002-1 (CFD 2002-1) has resulted in a cost to the Mare Island homeowners, there are only two solutions within the City's control to reduce this cost: i) the City can reduce the assessment and find other sources to fund the expenses currently covered by the assessment or reduce other City expenditures to offset the loss of assessment revenue; or ii) City agrees to restructure the CFDs when the new Mare Island Specific Plan (MISP) is implemented, thereby spreading the CFD cost over a larger basis at an appropriate time when new densities are being adopted for the Island.

The CFDs were created legally and disclosed to the homeowners on the Island prior to their purchases. Although the development needed to reduce and/or eliminate the CFD 2002-1 special tax levy has not yet occurred on the Island, the City agreed to halt the tax levy for one of the CFDs resulting in a cost savings to each residential property on the island between $300-600 per year. The City has also removed 50% of the costs associated with the maintenance of the bridge from the CFD budget and transferred that cost to the General Fund, resulting in an annual subsidy from the General Fund of approximately $200,000 - $250,000 per year.

Restructuring in tandem with implementation of the new Mare Island Specific Plan (MISP) allows for future development to utilize CFDs and potentially reduce current CFD special taxes long-term without impacting the City's General Fund. This allows the City and community to achieve the long-term goals of economic development that would benefit the community at large for decades to come. Mare Island Company (MIC), as the owner of more than 50 percent of the land, would need to approve restructuring CFD 2002-1 before the new MISP. Under the terms of the City's North Mare Island Disposition and Development Agreement (DDA), MIC is to cooperate with the City on the formation of new CFDs as part of the new MISP and will consent to the formation of such. MIC has submitted the new draft MISP which is currently under City review.

BACKGROUND AND DISCUSSION

Mare Island Community Facilities Districts.

There are three Mare Island Community Facilities Districts (CFDs) as summarized below, however one CFD has both a facilities special tax and a services special tax which are shown separately on tax bills and in the

City's budget and accounting. All the Mare Island CFD funds are audited annually as part of the citywide audit.

1. **2002-1 Services CFD**: This CFD, which was created in 2002 and is referred to as the "Island wide CFD", is funded by both the residents and non-residents.

2. **2005-1A CFD:** This CFD, which was created in 2005 in tandem with the development of the new Mare Island residential subdivisions that year, includes the following two components:

- Services Special Tax that is similar to a Landscape Maintenance District assessment.
- Facilities Special Tax that was created to secure bonded indebtedness up to $40M and/or to directly fund capital improvement projects.

3. **2005-1B Services CFD:** This CFD was originally formed to cover services not included in CFD 2002-1 and to fund gaps created by reduction or elimination of CFD 2002-1. However, as this CFD now covers services similar to CFD 2002-1, the City stopped levying this tax in fiscal year FY2020-21.

Creation of CFD 2002-1.

The Mare Island Final Reuse Plan recognized during the early years of the conversion of the former military facility that the taxes and revenue from the development on Mare Island would not be sufficient to support the municipal services costs on Mare Island. The prior City Council approval of the development on Mare Island was based on it being cost neutral as the City could not take on additional service expenses without offsetting revenues. Additional revenues were needed to meet the increased service demands placed on the City as a result of Mare Island development.

In order to mitigate the initial financial burden, in June 1996, the City negotiated the Mare Island Naval Shipyard Base Caretaker Cooperative Agreement with the Navy ("Cooperative Agreement"). Pursuant to the Cooperative Agreement, the City assumed limited responsibility for caretaker maintenance and operations of the common areas and the unleased buildings on the Island. The Federal Government, in turn, committed to reimbursing the City for the cost of providing these services for a four-year period.

As a means of transition from the Cooperative Agreement funding of municipal services to a long-term cost funding structure, the creation of Improvement District 2001-1 (also known as the Mare Island Municipal Services District) was proposed. In early 2001 the Vallejo City Council took a series of actions that established the Improvement District. In response to a challenge to the Improvement District formation, City staff explored alternative options available to finance the municipal services cost on Mare Island. After due consideration of the options, City staff recommended that a Community Facilities District (CFD) (also known as a Mello-Roos District) would best serve the desired purpose. On November 27, 2001, the City Council approved Resolution No. 01-482 N.C. indicating the Council's intention to form a CFD and directed staff to begin the process to form the CFD.

On January 8, 2002, the City Council passed Resolution No. 02-14 N.C., which authorized amending the Vallejo Municipal Code by adding Chapter 14.45 to Title 14 providing for the City of Vallejo-Mare Island Financing Code. This action was approved on the second and final reading on January 15, 2002. Additionally, on February 26, 2002, the Council approved Resolution No. 02-91 N.C., which made administrative updates to Resolution No.01482 N.C. and directed staff and consultants to continue preparations for the formal commencement of proceedings to establish the CFD. During this agenda item, a more detailed discussion of the rate and method of apportionment of the proposed special tax formula was presented. As with past meetings on this issue, the public was invited to comment on the CFD. On April 16, 2002, the City Council approved Resolution No. 02-150 N.C., which officially provided the Council's intention to form a CFD and commence the formal formation actions.

CFD 2002-1 Funding and Taxpayers.

As anticipated in the Mare Island Master Developer agreements, the purpose of CFD 2002-1 was to fund the gap between the cost to provide the Municipal Services and revenue available to the City. The funds in CFD 2002-1 cover the City's certain operation and maintenance expenses for the Island, including but not limited to landscaping, lighting, streets, parks, water and sewer facilities, flood control and storm drainage facilities, riparian habitat, waterfront features, bridge, and public safety. The tax for this CFD is paid by the landowners within the CFD boundaries including residential property (homeowners) and non-residential property. The non-residential property includes Mare Island Co (MIC), Touro University, Alco, Earthquake Protection Services and the City of Vallejo (for Taxable Public Property). As the Island's main landowner, MIC passes this cost to their commercial tenants. Federal agencies are exempt from paying the CFD.

Creation of the CFD 2005-1A and CFD 2005-1B.

When Lennar Mare Island (LMI), the Mare Island Master developer at the time, was developing the residential subdivisions in 2005, LMI and the City established two additional CFDs to cover the additional service and facility needs for these new subdivisions. These additional and smaller CFDs, which levy taxes solely on residential property on the Island, fund enhanced services including parks, landscaping, lighting, and open space maintenance, in addition to providing funding for certain infrastructure improvements through the use of bond debt or direct capital improvements funding.

CFD 2002-1 Special Tax Formula.

The CFD 2002-1 special tax is determined annually by estimating the annual tax revenues generated on the Island and the City's expenses associated with maintenance and services on the island. The gap between revenues and expenses, subject to adjustments for beginning balances and cash flow considerations, represents the special tax requirement levied on all property owners on the Island except the federal agencies. The CFD has a specific formula for distributing the special taxes between residential property, commercial property and undeveloped land. Using the City's adopted budget, the CFD special tax formula determines the special tax to be levied each year on all property types. The special tax is first applied up to the maximum rate on residential property. If the residential maximum tax rate is not sufficient to pay the net services costs for the fiscal year, the special tax is then levied up to the maximum rate on non-residential property. In the event that revenues increase, or expenses decrease, the methodology provides that the reduction of tax is first applied to non-residential property, until such tax reaches zero and is thereafter applied to residential property.

The CFD 2002-1 special tax levy in the current FY 2025-26 was $2,748,239. Approximately 35% of this total ($957,896) was levied on Residential Property, and the remaining 65% was levied on Non-Residential Property ($1,790,343).

Safety Allocation Methodology.

The safety allocation methodology was originally determined in 2010 concurrently with the closure of the Mare Island fire station. The data in this methodology was later updated in 2016. Currently, the police allocation, which is based on population, is 1.67% of the City's total police budget and the Fire allocation, which is based on square footage, is 8.26% of the City's total fire budget. Mare Island's total building square footage in the fire allocation calculation excludes all buildings identified to be demolished.

In 2019 the City and Goodwin considered doing another update of the data, however the initial review anticipated there would be an increase to the CFD's share of the fire costs, thus staff decided not to update the analysis at that time. If the analysis was done today, the costs are expected to further increase.

Subsidies paid by the General Fund.

In order to provide some relief to the CFD taxpayers, effective FY 2020-21, the City removed 50% of the costs associated with the maintenance of the bridge from the CFD budget and transferred that cost to the General Fund.

Changes to Special Taxes.

The below analysis excludes the CFD 2005-1B special tax that the City has already stopped levying and the CFD 2005-1A Services Special Tax that acts like a typical Landscape Maintenance District (LMD) for the residential neighborhoods.

CFD 2002-1 is anticipated to sunset when the City determines that revenues available from taxes generated on Mare Island exceed the cost of services on a continued basis. The main driver to sunset the CFD 2002-1 special tax is residential and commercial development and increased property taxes, thereby creating more revenues to offset the cost of services. Due to the delay in anticipated development, the revenues generated from Mare Island such as property tax, sales tax, and utilities taxes (approximately $2.1 million this FY) continue to be considerably lower than the budgeted City services to the Island (approximately $5.2 million this FY).

Effect of reducing CFD 2002-1 special tax:
Because non-residential property benefits from CFD tax reductions before residential property, a reduction of more than $1.8 million in the CFD 2002-1 costs (or an increase in revenue of more than $1.8 million) would be needed before there is any reduction in the residential taxes on the Island. This $1.8 million is the amount levied to the non-residential property this fiscal year. If the City shifted $1.8 million in funding from the General Fund to CFD 2002-1, the entire savings would go to the non-residential property owners whose tax would be reduced to almost zero, and the residential property owners would not receive any CFD special tax relief. In order for the residential property owners to receive any special tax relief, the amount of reduction would need to exceed $1.8 million. The only way to eliminate the residential property CFD 2002-1 tax is for the City to eliminate the CFD entirely.

If the City reduced the CFD 2002-1 tax by 50% the savings would continue to go entirely to the non-residential property. The only situation where the City could collect just 50% of the tax on residential property would be to reduce the tax to the non-residential properties to $0, then collect only 50% from the residential properties in the first step of taxation. The cost to the City in this scenario would far exceed the $1.8 million annually referenced above.

Effect of eliminating safety costs in CFD 2002-1 special tax:
If the City was to agree to subsidize the safety costs allocated to CFD 2002-1, some other City revenue source would need to assume these additional costs, estimated at $3.9 million in the current FY budget, and such savings would almost entirely go to the non-residential property owners whose tax would be nearly, if not entirely, eliminated.

Effect of eliminating the CFD 2002-1 special tax:
If the City eliminated the CFD 2002-1special tax, it would create a City revenue shortfall of ~$3 million based on the current FY budget and annually thereafter. Under this scenario, the General Fund would receive the

general tax revenues from the Island that are currently applied to the CFD ($2.1 million budgeted this current FY), however the City would have the CFD expenses of $5.2 million per the current FY budget, leaving a shortfall of approximately $3.1 million.

The City would also have to assume all future increases in municipal expenses such as new park maintenance, storm water basins, street repairs and future public facilities on the Island. The elimination of the Mare Island CFDs might also lead to a situation where property owners in other CFDs might seek reduced assessments and developers might resist using CFDs as a financing tool for future development projects.

Effect of eliminating the CFD 2005-1A Facilities Special Tax:
The elimination of the CFD 2005-1A Facilities Special Tax would not immediately affect the current City budget, however the City would have to find other funding to fund future facility improvements, thus reducing the City funding available for other purposes.

Effect of modifying CFDs now:
As detailed above and summarized below, the main implications of changing CFDs now are the following:

1. The loss of CFD 2002-1 would create a negative $3 million + impact to the City annually, increasing in future years.
2. Unless new revenue was identified that could offset this loss of revenue, this negative budgetary impact would reduce the City's ability to fund other programs and services.
3. Future development on Mare Island or the mainland, which typically needs CFDs to fund required services and improvements, might be reduced. For Mare Island, the reduction or elimination of the current CFD tax creates a risk that voters will not agree to new CFDs needed to fund the infrastructure and service needs for future development on the Island.
4. Other existing development projects relying on CFDs for City service provision may also request the City Council to freeze or eliminate their CFD taxes which would result in additional general fund impacts.
5. Future development projects may choose not to develop in Vallejo given a climate of not supporting CFDs for funding of services beyond the City current budget.

Below is a chart showing the options of keeping the status quo, freezing 100% of the CFD 2002-1 special tax, freezing 50% of the CFD 2002-1, and freezing just the CFD 2005-1A special tax:

	Status Quo	**Freeze 100% of CFD 2002-1 Special Tax**	**Freeze 50% of CFD 2002-1 Special Tax**	**Freeze CFD 2005-1A Facilities Special Tax**
CFD Special Tax Amount	$2.75M = current CFD 2002 Tax; $100K = current CFD 2005-1A Facility tax	CFD taxes would go to $0	CFD taxes would decrease by ~$2.3M (=100% of $1.8 non-res. tax + 50% of ~$1M res. taxes)	$0
Effect on Mare Island homeowners	$957,896 tax	Homeowners would not pay CFD tax but would still have to disclose full tax on sale of home	Reduction to ~$479,000	Taxes would decrease by $60-$788 per HH depending size of the home and tax levied on CFD 2002-1.

Effect on Mare Island Non-Residential	$1,790,343 tax	Non-residential owners including MIC and Touro would **not** pay CFD tax.	Taxes would be reduced to $0	None.
Effect on General Fund (GF)	~$250,000 (bridge CFD subsidy)	~$3M+ increase to GF	~$2.3M+ increase to GF per above	Reduction of $100K per year that could be used for facility improvements.
Effect on mainland homeowners	None other than bridge CFD subsidy	~$3M less available for city services Vallejo-wide	Less funding for city services Vallejo-wide	Mainland may have to supplement facility improvement projects on MI.

Note: Above analysis excludes CFD 2005-1A Services Special Tax

Opinions From Outside Counsel on Appropriateness and Legality of CFDs

In order to address concerns that the CFDs were formed inappropriately, the City engaged two separate law firms to obtain opinions on the CFDs. The following represents the portions of the opinions authorized by the City Council to be released to the public:

Formation of CFD 2002-1.

With respect to formation of CFD 2002-1, a legal review of the CFD formation resolutions, ordinance and related materials shows that the CFD was properly formed in accordance with the Mello-Roos Community Facilities Act of 1982 (hereafter, "the Act" - California Government Code Section 53311 et Seq.). In addition, the City obtained the required 2/3-voter approval from the qualified voters within the CFD to levy the special tax each year. The City also successfully obtained a validation action judgment in the Solano County Superior Court in October of 2002. This court action resulted in a judgment that the CFD was validly formed and that the special tax imposed by the CFD is valid. In addition to the specific validation action relating to CFD 2002-1, the State Legislature adopts an annual State Validation Act validating the organization, boundaries, acts, proceedings, and bonds of the state, counties, cities and specified districts on an annual basis, thereby removing all doubt as to the actions of public agencies in the state relating to CFDs and the taxes collected thereby.

The Act provides a 30- day statute of limitations period which begins on the date the voters approved the CFD. Thus, the time period to challenge the CFD expired in 2002—more than two decades ago. In addition, the Vallejo Municipal Code, Section 14.45.230 similarly provides a 30-day challenge period within which a challenge may be made to the computation of the tax.

Ongoing Administration.

With respect to the ongoing administration of CFD 2002-1, a review of all administration materials revealed that the CFD has been properly administered to date. Some topics of discussion raised by the Mare Island homeowners (not already covered above regarding formation of the CFD) are described generally as follows:

Carryover of CFD Funds Between Fiscal Years.

The homeowners correctly note that the “Special Tax Requirement,” which must be calculated each fiscal year, must be reduced, among other things, by any amount of surplus funds available from a prior fiscal year levy, after taking into account the City's right to maintain an "Operating Reserve" in the amount of $300,000. Finance staff has indicated that the originally contemplated Operating Reserve is not currently being maintained. Instead, the annual special tax calculated each fiscal year has been reduced by the surplus funds available based on the adjustments for budgeted to audited numbers. Further, for each fiscal year, a portion of the special taxes collected in the prior fiscal year are carried forward to pay for CFD-authorized services for the first 6 months of the then current fiscal year (i.e., July – December). This carry-over of funds is required to avoid having the City General Fund advance moneys to the CFD each year to cover CFD eligible expenses incurred during the first 6 months of each fiscal year, since CFD special taxes are not received until December each fiscal year, in accordance with the normal County property tax collection cycle. This is a reasonable interpretation of the RMA and does not violate any provision of the Mello-Roos Act or the Code.

<u>City Policy that Mare Island be Cost-Neutral to the General Fund.</u>

The longstanding City policy that provision of services to Mare Island be cost-neutral to the City's General Fund is clearly stated in the City of Vallejo-Mare Island Services Financing Code, pursuant to which the CFD was formed. Section 14.45.080 provides that the Code "is to be liberally construed to effectuate its purposes to provide funding for the services on Mare Island *with minimal effect to the city's general fund*." (emphasis added). This policy is similarly articulated in Section 6.1.6 of the Acquisition Agreement between the City and Lennar Mare Island, which required the formation of the CFD "to fund the gap between the City's cost to provide the Municipal Services and revenue available to City from all Mare Island sources."

Relatedly, some community members have asserted that the City is obligated to consider additional revenue sources beyond those listed in clause (ii) of the definition of "Special Tax Requirement" in the RMA, when calculating the offsets to the Special Tax Requirement each year. They have stated that the City should use economic models to ascertain the beneficial impact (i.e., City revenues generated) from jobs created on Mare Island since the Navy left and should include funds received from Nimitz for the North Island property toward the special tax offset. However, nothing in the RMA requires the City to speculate in this manner. Instead, the RMA clearly states the City must only take into account "revenues generated from property or activities *on* Mare Island" (emphasis added) and "other revenues that, *at the City's sole discretion*, are determined to be available to be applied" (emphasis added) – i.e., the City is justified in calculating the City revenues tied directly to the Island and need not extrapolate. Understanding the difficulty in making such calculation each year, the RMA expressly allows for City discretion, stating:

"The City shall exercise its discretion in making the foregoing determination regarding use of other revenues to reduce the Special Tax Requirement on an annual basis after consultation with the Master Developer. In making such determination, the City shall consider the overall benefit to the development of Mare Island of reducing the Special Tax Requirement as opposed to alternative uses of such revenue for purposes that support the development of Mare Island, including, for example, use as matching funds for federal grants for the construction of infrastructure consistent with the Mare Island Specific Plan."

<u>The 2% Escalator to the Maximum Special Tax.</u>

There is no prohibition in either the Mello-Roos Act or the Code against a 2% annual escalation in the maximum special tax on Residential Property for the provision of services, and eliminating such escalator would require change proceedings (i.e., a protest proceeding and vote) under the Mello-Roos Act if it impacted the amount other taxpayers would have to pay.

<u>The Allocation of Police and Fire Services Costs to the CFD.</u>

The CFD is authorized to pay for any and all costs of the services authorized by the CFD, which is broadly defined and includes, among other things, police and fire services. Nothing in the Mello-Roos Act or the Code specifies how the City should calculate the cost of providing police and fire services to land within the CFD. Per a Memorandum, dated August 24, 2016, prepared by Goodwin Consulting Group for the City, that the City bases the cost of police protection services on the number of persons served on Mare Island in proportion to the number of persons served in the City, and the cost of fire services is allocated based on total building space on Mare Island in proportion to the total building space in the City. This allocation methodology is legal.

The Inclusion of Project Costs in CFD Administrative Costs.

The CFD formation documents permit the levy of special taxes for authorized CFD service costs. Some community members have alleged that certain project costs in the CFD budget are really City administrative costs. However, City staff have indicated that the descriptions shown in the CFD budget are accurate. City staff have also indicated that they rely on a “Full Cost Allocation Plan” developed by MGT Consulting Group when allocating various administrative costs to the CFD budget. There is nothing illegal about this allocation methodology. Moreover, because both project maintenance costs and administrative costs are authorized by the CFD, the classification of a budgeted expense between a project cost versus an administrative cost is without legal significance.

Liberal Construction of Mello-Roos Act and Code.

Both the Mello-Roos Act and the Code have provisions that call for the liberal construction of their respective provisions in order to carry out the intended purposes of the legislation. For example, Section 53315 of the Mello-Roos Act provides, “This chapter shall be liberally construed in order to effectuate its purposes. No error, irregularity, informality, and no neglect or omission of any officer, in any procedure taken under this chapter, which does not directly affect the jurisdiction of the legislative body to order the installation of the facility or the provision of service, shall void or invalidate such proceeding or any levy for the costs of such facility or service.”

In similar manner, Section 14.45.80 of the Code provides, “This chapter is to be liberally construed to effectuate its purposes to provide funding for the services on Mare Island with minimal effect to the city’s general fund. In this regard and for interpreting the purposes of this chapter, the city council refers any reviewing authority to the city’s authorities over land use and other planning activities, including the city’s Final Reuse Plan and Specific Plan for Mare Island.”

Staff Recommendation

In order to work collaboratively with the community and the Council on the CFDs, staff have met with the Mare Island residents for several years to discuss their concerns and consider options. Staff brought the CFD issue before City Council on the following occasions:

March 29, 2023 - Goodwin provided a CFD briefing with the Mare Island sub-committee formed by City Council consisting of Mayor McConnell, Vice Mayor Verder-Aliga, and Councilmember Palmares. This was not a Council meeting, but the issues related to CFDs were discussed with the sub-committee.

April 25, 2023 - Goodwin provided a CFD presentation to City Council and the public. The agenda Item was titled Mare Island CFD Informational Presentation. The background of CFD formation was discussed, as well as the resident concerns and staff analysis to date.

May 30, 2023 - Mare Island residents provided a CFD presentation to the City Council. The Agenda Item was titled Mare Island CFD Informational Presentation by MISTEA Residents Group, and the residents gave a

PowerPoint presentation reviewing their concerns. Council directed staff to review these concerns and return to City Council with analysis related to the concerns. Council directed staff to hire an outside Counsel to look at the formation of the CFDs as well as the implementation of them.

June 27, 2023 - City Council held a public hearing related to adoption of FY 2023-24 budget. During this meeting there was a discussion regarding options for the City to provide CFD relief. Outside Counsel was doing the analysis which City Council did waive confidentiality of certain aspects of the information which is shared above in the section titled Opinions from Outside Counsel.

March 26, 2024 – Staff presented a report similar to this report to Council. Based on the information presented, Council directed staff to restructure the CFDs at the time of the new Mare Island Specific Plan approval and implementation.

After acquiring all the information, including outside Counsel opinion, staff recommends that City Council continue to wait to restructure the CFDs at the time of the Mare Island Specific Plan approval and implementation, when the land densities will be known and can be accounted for with future development.

FISCAL IMPACT

The fiscal impact to the City's FY2025-26 budget would be zero if the City Council takes staff recommendation to restructure CFDs in the future at the time of the Mare Island Specific Plan process. If City Council chooses to freeze the CFDs the fiscal impact is $3 million annual deficit to the General Fund.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS

None

CONTACT

Gillian Haen, Assistant City Manager (707) 648-4163
Gillian.Haen@cityofvallejo.net

DATE: April 27, 2026
TO: Mayor and Members of the City Council
FROM: Gillian Haen, Assistant City Manager
Hector Rojas, Long Range Planning Manager
SUBJECT: **RECEIVE AN INFORMATIONAL UPDATE REGARDING THE MARE ISLAND DEVELOPMENT AGREEMENTS, SPECIFIC PLAN UPDATE, BEAUTIFICATION PLAN, CONNOLLY CORRIDOR PROJECT, AND CORAL SEA VILLAGE SUBDIVISION**

RECOMMENDATION

Receive an informational update regarding the Mare Island Development Agreements, Specific Plan Update, Beautification Plan, Connolly Corridor Project, and Coral Sea Village Subdivision.

REASONS FOR RECOMMENDATION

This item provides City Council and the public with an overview of the current status of key Mare Island planning and implementation efforts and identifies anticipated next steps.

BACKGROUND AND DISCUSSION

The following sections of this report address the current status of the Mare Island development agreements, the Mare Island Specific Plan Update, the Beautification Plan, the Connolly Corridor Project, and the Coral Sea Village Subdivision.

Mare Island Development Agreements

Redevelopment of Mare Island is currently governed by two principal agreements: the Lennar Mare Island Development Agreement (Lennar DA), which applies to South Mare Island, and the North Mare Island Disposition and Development Agreement (NMI DDA), which applies to portions of North Mare Island. Together, these agreements address land disposition, development rights, infrastructure responsibilities, reimbursement obligations, future approvals, and project implementation across Mare Island.

On South Mare Island, the City entered into the Lennar DA in 2001 with Lennar Mare Island, LLC (Lennar) to facilitate phased redevelopment of Lennar's holdings under the then-applicable Mare Island Specific Plan (MISP). The agreement established the development framework for the property, including permitted uses, infrastructure obligations, future approvals, and annual reviews. In 2004, the City approved a First Amendment to the Lennar DA to address issues associated with a then-pending Specific Plan amendment, including revisions to water demand standards, off-island water storage improvements, prevailing wage requirements, and development timing. In 2019, the City approved a transaction that transferred Lennar's South Mare Island holdings, obligations, and development rights to The Nimitz Group (Nimitz). The Mare Island Company (MIC) represents Nimitz with respect to redevelopment activity on Mare Island and serves as the development lead for those efforts.

On North Mare Island, the City entered into the NMI DDA with Nimitz in 2022. The agreement provides the framework for conveyance and redevelopment of North Mare Island and portions of South Mare Island and links redevelopment to a broader set of planning and implementation actions, including preparation of the updated MISP, related infrastructure planning, and future discretionary approvals. The NMI DDA also contemplates early implementation items required by the City, including the Beautification Plan and Connolly

Corridor Project, which are discussed in later sections of this report.

The existing Mare Island development agreements form the main legal and transactional framework through which redevelopment is currently being advanced on Mare Island. Staff is also working toward a new island-wide development agreement intended to replace the existing agreements and better align future redevelopment with the proposed MISP Update. This effort is particularly important because the Lennar DA governing South Mare Island is currently set to expire on September 11, 2026, and only one five-year extension option remains.

In addition, MIC has identified infrastructure and current market constraints that have created challenges for near-term development of the Connolly Corridor Project. Although the MISP Update contemplates full buildout of the Connolly area, those infrastructure and market conditions may warrant an amendment to the NMI DDA to allow additional time for buildout of the Connolly Corridor Project.

The pending expiration of the Lennar DA, the NMI DDA timelines for the Connolly Corridor Project, and potential approval of the MISP Update provide the rationale for a new island-wide development agreement that would consolidate the existing and proposed redevelopment framework into a single Development Agreement. City Council consideration of the new island-wide Development Agreement is expected to occur concurrently with consideration of the proposed MISP Update.

Consistent with Council direction, staff will continue to negotiate with MIC on the terms of the proposed new island-wide development agreement and will prepare a draft document for community and Council consideration in Fall/Winter 2027. Staff will continue to solicit community and Council input on proposed terms and community benefits during this agenda item and throughout the next steps in the process.

Mare Island Specific Plan (MISP) Update
The City currently regulates development on Mare Island through the existing MISP, originally adopted in 1999 and later amended and restated in 2005, with subsequent amendments thereafter. The existing framework grew out of the Mare Island reuse planning process following closure of the Mare Island Naval Shipyard in 1996 and has served as the City's primary tool for guiding land use, urban design, circulation, infrastructure, historic preservation, and phased redevelopment on Mare Island. The existing MISP reflects the City's long-standing vision to reuse Mare Island as a mixed-use district that balances economic development, housing, public access, historic preservation, and continued waterfront-related industrial activity.

In accordance with the NMI DDA, MIC submitted a draft MISP Update to the City for review and processing in October 2024. The MISP Update was informed by community input gathered by the City and MIC through 20 community meetings held between 2020 and 2025. The MISP Update would replace the existing MISP while retaining the same overall planning boundary and much of the broader vision for reuse and redevelopment, but with increased density and development. The MISP Update is intended to serve as the City's primary regulatory tool for managing future use and development on Mare Island and to implement the Propel Vallejo General Plan 2040 through a new zoning and development framework for the plan area. The plan area encompasses approximately 3,131 acres, including approximately 1,302 acres of developable area. It organizes future redevelopment into nine neighborhoods intended to function as complete communities with a mix of housing, employment, services, open space, and multimodal transportation options. At buildout, the proposed land use plan is estimated to accommodate between approximately 9,750 and 14,400 dwelling units, approximately 895 dormitory units, and between approximately 14,900 and 17,000 jobs.

Compared to the existing MISP, the proposed MISP Update places greater emphasis on complete neighborhoods, expanded housing opportunity, updated mobility strategies, open space and waterfront access, climate resilience, adaptive reuse, and long-term infrastructure planning. It also proposes a broader and more contemporary land use framework intended to provide flexibility over time while supporting balanced redevelopment and long-term implementation.

City staff and relevant agencies completed review of the draft MISP Update in early 2026. On February 7, 2026, the City transmitted a consolidated comment letter to MIC identifying requested revisions, suggested and advisory changes, future study and analysis items, topics to be addressed in the new development agreement, regulatory compliance issues, and necessary companion approvals. The review included comments from multiple City departments, supplemented by the City's peer review consultant, Good City Company, as well as outside agencies including Caltrans, SolTrans, Greater Vallejo Recreation District, and Vallejo Flood and Wastewater District (VFWD). In general, the City's review identified the need for further refinement in areas including land use and zoning consistency, historic resource treatment, affordable housing, mobility and transportation demand management, parks and open space standards, infrastructure capacity and financing, implementation procedures, regulatory compliance, and related General Plan, zoning, subdivision, and development agreement actions needed to support eventual adoption and implementation.

The City's review also found that the draft MISP Update was not yet accompanied by all supporting components needed for a complete Specific Plan under state law. In particular, the next draft must include infrastructure and financing plan components, along with additional implementation detail necessary for the City to continue review of a more complete Specific Plan package.

In October 2025, the City and VFWD completed the Mare Island Infrastructure Assessment (MIIA) Report to support coordinated infrastructure planning and redevelopment across Mare Island. The assessment evaluated the existing condition and capacity of the island's water, sanitary sewer, storm drainage and flood control, roads, dry utilities, and geotechnical conditions under both an existing/near-term scenario through 2027 and a buildout scenario through 2063. The assessment identified significant island-wide infrastructure needs that will need to be addressed through phased implementation. Among other findings, the report concluded that much of the water system is beyond or nearing the end of its useful life, that sanitary sewer capacity is constrained by downstream system and treatment plant limitations, that substantial storm drainage and flood control improvements will be needed to address both current deficiencies and long-term sea level rise, and that coordinated corridor planning and interagency implementation will be essential to avoid rework and support efficient redevelopment. Findings from the MIIA Report are expected to be incorporated into and addressed through the infrastructure planning components of the MISP Update.

With respect to environmental review, the City executed an agreement with Stantec Consulting Services in August 2025 for preparation of an Environmental Impact Report (EIR) for the MISP Update. The EIR is being prepared as a joint programmatic and project-level environmental document. The programmatic analysis will evaluate adoption and implementation of the MISP Update as a whole, while the project-level analysis will evaluate Phases 1 through 3 of Specific Plan implementation. In parallel, the City has been coordinating with the U.S. Navy regarding the appropriate federal environmental review path under the National Environmental Policy Act (NEPA). Following preparation of applicable NEPA documentation, the City anticipates releasing the CEQA Notice of Preparation and formally initiating the EIR scoping process.

The updated MISP is a multi-year planning effort involving several parallel workstreams. At this time, staff tentatively anticipates the following major milestones:

- Final NEPA Documentation – Summer 2026

- Release of the CEQA Notice of Preparation – Late Summer 2026
- Continued drafting of the Infrastructure Plan and Financing Plan – Through Fall 2026
- Submittal of the second draft MISP Update package – Fall/Winter 2026
- Release of the Public Draft EIR for a 45-day public review and comment period – Winter 2026/Spring 2027
- Preparation of the final draft MISP Update – Spring 2027
- Completion of the Final EIR and Mitigation Monitoring and Reporting Program – Summer 2027
- Planning Commission and City Council consideration of the adoption of the MISP Update, certification of the Final EIR, approval of a new island-wide development agreement, and related actions – Fall/Winter 2027

It should be noted that these milestones are intended to provide a general framework for sequencing and remain subject to change as technical studies, agency coordination, and applicant submittals and re-submittals continue.

In addition to requiring preparation of the MISP Update, the NMI DDA required early implementation items to move forward during the planning process. These include the Beautification Plan and the Connolly Corridor Project, both of which are discussed below.

<u>Beautification Plan</u>
The Mare Island Beautification Plan is a phased public realm and landscape improvement project associated with North Mare Island. The project is intended to improve the visual character and overall appearance of major gateways and circulation corridors on North Mare Island, particularly along the Railroad Avenue corridor and adjacent areas near Walnut Avenue, G Street, the Mare Island Causeway, and the Highway 37 gateway. The Beautification Plan includes materials and planting plans, grading, soil testing and soil amendment plans, furnishings, art, color schemes, and related civil improvements.

The Beautification Plan was submitted to the City in June 2023, and detailed design drawings were submitted in April 2024. A revised plan was submitted in May 2025 and was deemed complete. A status letter was provided to MIC in June 2025 suggesting that the scope of work in Phase 1 be expanded to include landscaped areas up to Navy parcel boundary lines, or at minimum to provide an appropriate buffer from the Navy cleanup area associated with Phase 2 of the project.

As currently proposed, the project is organized into two phases. Phase 1 would include the installation of trees, landscaping, sidewalk improvements, entry signage, and art at the Causeway entry and the Highway 37 entry to Mare Island. Phase 2 would include landscaping, a seeded meadow, pedestrian and bicycle paths between Railroad Avenue and Nimitz Avenue, as well as restriping of bicycle facilities and related striping improvements along Nimitz Avenue.

Implementation timing has been affected by two separate issues. First, a portion of Phase 1 is impacted by the City's prior demolition and associated environmental cleanup work in the former Building 571 area. MIC has indicated that this issue presents a relatively minor construction delay and that Phase 1 could proceed once the City completes the necessary cleanup work. City Council approved cleanup of Building 571 in February 2026, and the cleanup is projected to occur within six months following regulatory approval of the project work plan.

Second, a substantial portion of Phase 2 remains dependent on transfer of approximately 33 acres of Navy-owned property that had previously been expected to transfer. Additional cleanup requirements imposed on the Navy have delayed that transfer by several years, and the timing of Phase 2 construction therefore remains uncertain. As a result, MIC has requested that Phase 1 continue to move forward while Phase 2 timing remains subject to future Navy remediation and land transfer actions. It is expected that the City will proceed with processing in that manner given the challenges outside each parties control.

Connolly Corridor Project

The Connolly Corridor is an approximately 30-acre early activation area centered on Connolly Street on South Mare Island. The project was intended to be an interim activation effort that could move forward under the existing MISP while the updated MISP is being prepared. The broader project would include up to approximately 45,000 square feet of retail space, approximately 28,000 square feet of office space, up to 373 multifamily and townhouse units, a 200-room hotel, and up to approximately 194,000 square feet of open space. The project is expected to be constructed in approximately four phases, with Phase 1 focused on restoration of the Coal Sheds and the waterfront promenade.

The Phase 1 design approval pre-application was submitted to the City in September 2024, and comments were provided by City departments, including VFWD, in December 2024. The comments raised issues related to ownership of sewer and stormwater infrastructure, sewer capacity, and the need for an overall Connolly development plan and infrastructure rehabilitation plan. VFWD has advised that Phase 1 itself does not create capacity concerns, but a broader planning and infrastructure framework for the full Connolly area continues to be required by VFWD.

Given unresolved island-wide infrastructure issues, together with current market and economic conditions, MIC has paused advancement of the project while discussions continue with the City regarding how best to proceed during the interim. In parallel, City Council has directed the City Attorney's Office to identify a potential mediator to facilitate a mediation process between the City and VFWD aimed at resolving outstanding infrastructure-related issues affecting Connolly Street and Mare Island more broadly.

Coral Sea Village Subdivision

Coral Sea Village is a residential subdivision on South Mare Island, located on vacant sites west of Flagship Drive near Eleanor Circle, that was originally entitled by Lennar in 2004. The project consists of 68 detached single-family residences, 28 multifamily units arranged as four units on each of the seven parcels, and related landscaping improvements. The final subdivision map for the project was recorded in 2017, and the related public improvements and building pads were installed between 2017 and 2018. Following the transition of Lennar's holdings to Nimitz, the project did not proceed to full construction of the previously approved residential units. Under the transaction between Lennar and Nimitz, Lennar Homebuilding Division retained a first right of refusal to complete development of the Coral Sea Village lots and later confirmed that it would move forward with development of those lots.

On August 12, 2025, a development and landscape review application was submitted to the City for minor modifications to the previously approved residential architecture and landscaping. The entitlement request is limited to those architectural and landscaping changes because the subdivision improvements and backbone infrastructure are already in place. All departments and responsible agencies have reviewed the proposal, and the project is being conditioned for approval. A public meeting was held on April 22, 2026, and a Planning and Development Services Director-level decision is anticipated in early May 2026, with construction expected to begin later this year.

Next Steps

The Mare Island development agreements, MISP Update, environmental review, infrastructure planning, and project-specific approvals summarized in this report are interrelated and will continue to move forward on parallel but coordinated tracks. Near-term next steps include continued review and refinement of the updated MISP, preparation of the environmental review documents, advancement of NMI DDA implementation items such as the Beautification Plan and Connolly Corridor Project, completion of current entitlement actions such as the Coral Sea Village Subdivision, and finalization of a new island-wide development agreement. Additional City Council actions are expected as future Mare Island items return for discussion and decision-making over the next two years.

Public engagement will continue throughout this process. Opportunities for input are expected to include future City Council and Planning Commission hearings, the public review and comment period for the Draft EIR, and additional outreach as the MISP Update and new development agreement move toward consideration. Staff will continue to provide information and receive community input at key milestones in advance of future actions.

FISCAL IMPACT

This agenda item is informational only and does not, by itself, approve a contract, authorize construction, or appropriate funds. Future fiscal impacts will depend on subsequent City Council actions related to the MISP Update, environmental review, infrastructure planning, development agreement implementation, project entitlements, and any associated capital or consultant expenditures.

ENVIRONMENTAL REVIEW

This agenda item is exempt from the California Environmental Quality Act (CEQA) because it involves only the receipt of information and direction to staff and does not constitute approval of a project that may result in a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines section 15378.

ATTACHMENTS

1.	Links to Referenced Documents

CONTACT

Gillian Haen, Assistant City Manager
Gillian.Haen@cityofvallejo.net
Hector Rojas, Long Range Planning Manager
Hector.Rojas@cityofvallejo.net

ATTACHMENT 1

Links to Referenced Documents

- Lennar Mare Island Development Agreement (Lennar DA) – Executed in 2001
- First Amendment to Lennar DA – Executed in November 2004

- North Mare Island Disposition and Development Agreement (NMI DDA) – Executed in May 2022

- Draft Mare Island Specific Plan (MISP) Update – Submitted in October 2024
- Mare Island Infrastructure Assessment (MIIA) Report – Submitted in October 2025

- Beautification Plan – Submitted in April 2024

- Phase 1 Preliminary Application for Connolly Corridor Project – Submitted in September 2024