



## **CITY OF MENIFEE**

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SUBJECT: Resolution of Intention for Annexation No. 27, Encanto/McCall Gas Station, into Community Facility District 2017-1, Maintenance Services

MEETING DATE: November 20, 2024

TO: Mayor and City Council

PREPARED BY: Kristen Jensen, Financial Analyst

REVIEWED BY: Nick Fidler, Public Works Director

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Accept the Petitions of KA Menifee, LLC, Capital Financial Group, Inc. Defined Benefit Pension Plan, Kaassi International, Inc. Defined Benefit Pension Plan, and KZA Inc. Defined Benefit Pension Plan for the annexation of Assessor's Parcel No.'s 333-040-043 and 333-040-044, located on the northwest corner of the intersection of Encanto Drive and McCall Boulevard, into Community Facilities District No. 2017-1 ("CFD No. 2017-1" or "CFD"), Maintenance Services, as Annexation Area No. 27; and
2. Adopt a resolution of intention to add Annexation No. 27 into CFD No. 2017-1, to authorize the levy of special tax therein to finance certain maintenance services, and to set a public hearing for January 15, 2025.

### **DISCUSSION**

On December 6, 2017, the City Council adopted Resolution No. 17-658, establishing CFD No. 2017-1 pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 ("Act"). CFD No. 2017-1 allows for the levy of special taxes on parcels of taxable property for the purpose of providing certain services which are necessary to meet increased demands placed by development upon the City.

KA Menifee, LLC (61.98%), Capital Financial Group, Inc., Defined Benefit Pension Plan (12.67%), Kaassi International, Inc., Defined Benefit Pension Plan (12.67%), KZA Inc., and Defined Benefit Pension Plan (12.67%), ("Owners") are the Owners of the Encanto/McCall Gas Station, Assessor's Parcel No.'s 333-040-043 and 333-040-044, which consists of approximately 2.10 gross acres of a vacant lot. The property is located the northwest corner of Encanto Drive and McCall Boulevard, as shown in the attached Project Location Map.

The Owners have requested that the City assist them in annexing Assessor's Parcel No.'s 333-040-043 and 333-040-044 into CFD 2017-1 to cover the costs associated with the maintenance of public improvements. The area proposed for annexation would be designated "Annexation No. 27," and would include a gasoline service station, a convenience store, automated drive-thru car wash, and drive thru fast-food restaurant. Per the Owner's request, the City would establish a rate and method of apportionment and authorize the levy of special taxes on the taxable property within Annexation No. 27 to pay for those services.

Annexation No. 27 would have a maximum annual tax of \$6,018 per acre. This tax rate includes a Maximum Special Tax A of \$5,016 per acre per year for maintenance services of public facilities and a Maximum Annual Special Tax B ("Contingent Tax B") of \$1,002 per acre per year and would be included in CFD No. 2017-1 as "Tax Zone 27." The maximum annual tax rate is proposed to escalate each year at the greater of Consumer Price Index (CPI) or 2%. The attached CFD Maintenance Site Plan Exhibit is to illustrate which services would be maintained by the CFD.

The Owners have agreed to initiate and conduct the CFD annexation proceedings pursuant to the Act. To that end, the Owners have submitted "Consent and Waiver" forms on file in the City Clerk's Office which authorizes the City to (1) hold the election and declare election results (2) shorten election time requirements, (3) waive analysis and arguments, and (4) waive all notice requirements relating to the conduct of the election immediately following the public hearing.

The next step to annex Assessor's Parcel No.'s 333-040-043 and 333-040-044 into CFD 2017-1 is to publish a notification of the proposed annexation along with the Resolution of Intention and Boundary Maps of the proposed Annexation area. A public hearing on the matter would take place on January 15, 2025, and at that time the Council would formally consider approval of the Annexation No. 27.

### **STRATEGIC PLAN OBJECTIVE**

Safe and Vibrant Community

### **FISCAL IMPACT**

The individual property owners in the CFD would be responsible for annual payments of special taxes. It is estimated, upon full completion of the tract development that there will be an annual collection of special tax revenues of approximately \$9,481, not including Contingent Tax B, to be used to pay for maintenance costs.

On June 1 of each year, every taxable acre within the boundaries of the CFD, would be subject to the special tax for the ensuing Fiscal Year. If the anticipated costs of maintaining the facilities in any given fiscal year, prior to buildout of the project, exceeds the special tax revenues available from parcels for which building permits have been issued, the special tax may also be applied to property within recorded final subdivision maps, as well as other undeveloped property within the boundaries of the CFD.

All costs associated with annexation into the CFD have been borne by the Owners. By annexing into the CFD, the costs of maintaining improvements located within the development would be financed through special taxes levied on the parcels within CFD No. 2017-1 and not through the City's General Fund.

**ATTACHMENTS**

1. Project Location Map
2. Resolution of Intention and Exhibits
3. CFD Maintenance Site Plan Exhibit
4. Petitions