



CITY OF MENIFEE

SUBJECT: Proposed Formation of Community Facilities District No. 2024-3, River Walk Village

MEETING DATE: June 19, 2024

TO: Mayor and City Council

PREPARED BY: Lauri Lockwood, Financial Analyst

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Adopt a resolution of intention to establish Community Facilities District No. 2024-3, River Walk Village, located northwest of Bradley Road and Lazy Creek Road; and
2. Adopt a resolution of intention to incur bonded indebtedness for Community Facilities District No. 2024-3, River Walk Village.

DISCUSSION

Richmond American Homes of Maryland, a Maryland corporation (the “Developer”) is proposing to develop a residential community of 198 homes on approximately 14 gross acres within the City. The property is located northwest of Bradley Road and Lazy Creek Road, as shown in the attached Project Location Map. The Developer has requested that the City form a Community Facilities District (“CFD No. 2024-3”) in accordance with the Mello-Roos Community Facilities Act of 1982, as amended, (“The Act”) to finance the costs of certain public improvements through the levy of a special tax and the issuance of bonds in an amount not-to-exceed \$7,000,000. The Developer has requested that the boundaries of CFD No. 2024-3 include the area described in Exhibit A of the Resolution of Intention to Establish CFD No. 2024-3 (the “Resolution of Intention”) and that special taxes be levied within the boundaries of CFD No. 2024-3 in accordance with the Rate and Method of Apportionment (the “RMA”) as described in Exhibit C to the Resolution of Intention.

This proposed CFD No. 2024-3 was presented to the Finance Committee in March 2024 and was recommended for submittal to the City Council.

The resolution of intention is the first step in the process to form CFD No. 2024-3. The attached resolutions declare the City’s intention to establish CFD No. 2024-3, the intention to incur bonded

indebtedness by CFD No. 2024-3 and call for a public hearing. A public hearing on the matter would take place on August 7, 2024, and at that time the City Council would formally consider forming CFD No. 2024-3 and hold an election on the approval of the special taxes and the incurring of bonded indebtedness within CFD No. 2024-3.

The Developer may request that the City enter into a joint community facilities agreement (the "JCFA") with the Developer and Menifee Union School District relating to certain facilities proposed to be financed by CFD No. 2024-3 and owned and operated by Menifee Union School District. If the decision is made to finance facilities of Menifee Union School District, the JCFA would be entered into prior to the approval of the issuance of bonds pursuant to the Act.

The Developer is proposing to build 198 residential units in CFD No. 2024-3. The home sizes in CFD No. 2024-3 are planned to range from approximately 1,370 to 1,775 square feet. The total tax effective tax rate is estimated to be at or below 2% of projected home prices, which is the allowable tax rate limit in the City's Financing Goals and Policies.

Under the RMA, the estimated assigned annual tax rates range from \$1,605 for home sizes less than 1,400 square feet to \$1,770 for home sizes greater than 1,700 square feet. Such rates would escalate at 2% per year.

The anticipated bond issuance amount based on current rates would be approximately \$4,630,000 which would cover a reserve fund, financing costs, and generate approximately \$3,883,964 in net bond proceeds for facilities. The proposed facilities, which may be funded with proceeds of the bonds are currently estimated to be:

- \$433,313 – City priority facilities (20% premium to project-specific priorities, per the City's CFD Goals & Policies)
- \$2,166,564 – City Development Impact Fees
- \$1,320,686 – Menifee Union School District facilities

The amount of the foregoing facilities costs that exceed available bond proceeds would be funded by the Developer. In addition to the costs of the foregoing facilities, proceeds of the special tax may be expended to pay administrative costs.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

There is no fiscal impact associated with the recommended action to the General Fund. The Developer made a deposit with the City to pay for the costs of the formation proceedings, some of which may be reimbursed to the Developer in accordance with the acquisition agreement to be entered into by the City with the Developer. CFD No. 2024-3 would levy special taxes annually on all the taxable property within CFD No. 2024-3 in accordance with the RMA in order to pay for the costs of facilities, debt service on bonds, and administration of CFD No. 2024-3. Any bonds issued by CFD No. 2024-3 would not be obligations of the City and would be secured solely by

the special taxes levied on parcels within CFD No. 2024-3. The funds are held within custodial accounts that are restricted for these specific costs.

ATTACHMENTS

1. Project Location Map
2. Resolution of Intention to Establish CFD No. 2024-3
3. Resolution of Intention to Incur Debt
4. Landowner Petition