



CITY OF MENIFEE

SUBJECT: Issuance of Special Tax Bonds for Improvement Area 1 of Community Facilities District 2023-2, Cimarron Ridge

MEETING DATE: April 16, 2025

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 authorizing the issuance of special tax bonds and the execution and delivery of bond documents in connection with Improvement Area 1 of Community Facilities District 2023-2, Cimarron Ridge, located on the north and south side of Thornton Avenue between Valley Boulevard and Goetz Road; and
2. Authorize the Finance Department to establish the necessary revenue and expenditure budgets and corresponding appropriations for the bond issuance.

DISCUSSION

The City Council has previously completed the necessary proceedings to establish Community Facilities District No. 2023-2 of the City of Meniffee, Cimarron Ridge, (the "District"). As part of those proceedings, the City Council declared the necessity to issue bonds on behalf of the District for Improvement Area No. 1 therein ("Improvement Area 1") pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act").

On April 19, 2023, the City Council adopted the Resolution of Formation, which established the District and designated Improvement Area 1 therein, authorized the levy of a special tax (the "Special Tax"), determined the necessity to incur bonded indebtedness in an amount not to exceed \$10 million within Improvement Area 1, and called an election on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit. On the same date, an election was held within Improvement Area 1 in which the property owner approved the proposition authorizing the issuance of bonds in an amount not to exceed \$10 million.

The District consists of Improvement Area 1 and Improvement Area 2. Improvement Area 1 contains approximately 142 gross acres and is located on the north and south side of Thornton Avenue between Valley Boulevard and Goetz Road. The property in the District is being developed by Pulte Home Company, LLC (“Pulte”) in a project being marketed as “Cimarron Ridge.” In total, Cimarron Ridge is planned for a total of 756 single-family homes, including both market-rate and age-qualified products.

The portion of the District that is within Improvement Area 1 is planned for 424 single-family market-rate homes. Invitation Homes, a Real Estate Investment Trust (“REIT”), is under contract to purchase 127 homes in Improvement Area 1. Invitation Homes intends to maintain ownership and rent the homes it is acquiring to individuals. As of January 31, 2025, Invitation Homes had acquired 72 of the 127 homes it is under contract to purchase.

As of January 31, 2025, in addition to the 72 completed homes purchased by Invitation Homes, Pulte had completed and conveyed 197 homes within Improvement Area 1 to individual homeowners, and as of such date, Pulte owned seven model homes, 80 homes in various stages of construction, and 68 finished or near-finished lots. Pulte currently expects to complete and convey all homes planned within Improvement Area 1 to individual homeowners by the second quarter of 2026.

Annual debt service on the proposed Special Tax Bonds, Series 2025A (the “2025A Bonds”) will be sized based on the expected Special Tax revenues to be received from 288 homes classified as Developed Property for fiscal year 2024-25. The bond documents allow for the issuance of additional bonds payable from Special Tax revenues on parity with the 2025A Bonds.

The resolution before the City Council authorizes the issuance of the 2025A Bonds and the execution and delivery of certain documents in connection therewith as further described in the following paragraphs.

It was estimated in March that the 2025A Bonds could have a par amount of approximately \$4.64 million with a final maturity of September 1, 2055 (a 30-year financing term). Proceeds from the 2025A Bonds would primarily finance public improvements benefiting the development within Improvement Area 1. The final par amount and interest rate structure will be determined when the 2025A Bonds are priced and sold, which is currently expected to occur during the week of April 28, 2025.

As required under Section 5852.1 of the California Government Code (the “Code”), good faith estimates as provided by the Municipal Advisor and Underwriter are provided as an attachment to this staff report.

The property owners are expected to pay Special Taxes of approximately \$264 to \$1,523 per parcel in Fiscal Year 2025-26, depending on the size of the home. Such Special Taxes will increase at 2.0% annually.

Documents to be Approved

Approval of the attached resolution authorizes the sale of the proposed 2025A Bonds and the execution of the following documents attached to this staff report:

- Preliminary Official Statement
- Bond Indenture
- Continuing Disclosure Certificate
- Bond Purchase Agreement

Bond Counsel and the City Attorney have reviewed the attached legal and financing documents on behalf of the City and Improvement Area 1. If this resolution is approved, City staff would continue to work with the financing team to finalize all the aforementioned documents. The pricing date is targeted for the week of April 28, 2025, with bond closing anticipated approximately two weeks later in May 2025.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

The 2025A Bonds are paid from Special Taxes levied in the Improvement Area. There is no fiscal impact to the City's General Fund. The City will, however, be required to provide administration for the District, which will be funded as part of the annual Special Tax levy.

The property owners are expected to pay Special Taxes of approximately \$264 to \$1,523 per parcel in Fiscal Year 2025-26, depending on the size of the home. Such Special Taxes will increase at 2.0% per year.

ATTACHMENTS

1. Project Map
2. Good Faith Estimates
3. Resolution CFD 2023-2 IA1
4. Preliminary Official Statement CFD 2023-2 IA1
5. Bond Indenture CFD 2023-2 IA1
6. Continuing Disclosure Certificate CFD 2023-2 IA1
7. Bond Purchase Agreement CFD 2023-2 IA1
8. Appraisal Report CFD 2023-2 IA1