



CITY OF MENIFEE

SUBJECT: Proposed First Amendment to the CFD 2020-1 (McCall Mesa)
Acquisition and Construction Funding Agreement

MEETING DATE: December 6, 2023

TO: Mayor and City Council

PREPARED BY: Lauri Lockwood, Financial Analyst

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Rebekah Kramer, Acting City Manager

RECOMMENDED ACTION

1. Review and approve the proposed First Amendment to the Acquisition, Construction and Funding Agreement for CFD 2020-1 (McCall Mesa), which adds Remington park site land acquisition costs to the list of city improvements constructed by or on behalf of the developer that are eligible for reimbursement with bond proceeds.

DISCUSSION

Lennar Homes of California, Inc. developed a 258-home residential tract southwest of Menifee and Rouse roads. The City Council previously approved the formation of a Community Facilities District (CFD) and authorized the issuance of bonds in an amount not to exceed \$18 million. Two series of bonds were intended to be issued at separate points in the development to pay for city, school and water facilities associated with the project.

The Acquisition, Construction and Funding Agreement signed at the time the CFD was formed envisioned \$13 million in bond proceeds, of which nearly \$3.8 million would be set aside to finance DIF fees and city facilities, including traffic signal improvements, overhead utility undergrounding and dry utilities. Although the developer planned to build a park, at that time it was not believed there would be enough money from bond proceeds to finance the park and it was not included as an eligible project in the funding agreement.

The first series of bonds was issued in January 2022, resulting in proceeds of \$11.33 million. A second and final bond issuance was targeted for less than a year later. After the second bond issuance, proceeds from both sales totaled roughly \$3 million more than originally projected. This was due to strong investor interest in the first bond issuance, which resulted in the receipt of a large premium on the first sale, and favorable market conditions at the time of both sales.

With sufficient money in the city facilities account, bond proceeds could provide enough money to fund the park site in addition to the other previously approved public facilities. The park was on the list of city projects eligible for reimbursement on the tax certificate and the bond pro forma the City Council reviewed prior to authorizing the second bond issuance. However, the park site was not added to the funding agreement at the time of the second bond issuance.

In order to fund the expenditures on a given project, they must be listed among the eligible projects on the funding agreement. At this time, the project is not listed on the agreement. Lennar has completed all city improvements listed on the funding agreement and is now requesting the agreement be amended to include acquisition of the park site as an eligible project, as was originally intended. There is enough money in the city facilities account to handle the request.

The city has not previously used CFD bond proceeds to pay a developer for park land, although it is an allowable use of the funds. The city's bond counsel prepared the revised funding agreement and has confirmed that acquisition of park land is an eligible use of the bond proceeds.

Table 1: Timeline of CFD 2020-1

Action	Date
Council approves resolutions to establish CFD 2020-1, to incur bonded indebtedness not to exceed \$18 million and to certify the election results	8/5/2020
Council adopts ordinance approving CFD 2020-1	8/19/2020
Council authorizes the issuance of Series 2022A bonds	12/15/2021
Council authorizes the issuance of Series 2023A bonds*	9/21/2022
* Attachments for the agenda item mention the park site as an eligible improvement.	

This item was presented to the Finance Committee on November 7th, where the committee members voted to forward the request to the City Council. Staff were cautioned that these costs should have been included in the original funding request and that such amendments, after the projects have been completed, will not be recommended for approval in the future.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

There is no fiscal impact associated with this decision. Any amount paid to the developer would come from bond proceeds, not city funds.

ATTACHMENTS

1. First Amendment to Acquisition Agreement for CFD 2020-1.
2. Original Acquisition, Construction and Funding Agreement for CFD 2020-1.