



## **CITY OF MENIFEE**

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SUBJECT: Proposed Formation of Community Facilities District No. 2025-2, Quartz Trail

MEETING DATE: February 5, 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

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### **RECOMMENDED ACTION**

1. Adopt resolution of intention to establish Community Facilities District No. 2025-2, Quartz Trail, located southeast of Evans Road and Holland Road; and
2. Adopt a resolution of intention to incur bonded indebtedness for Community Facilities District No. 2025-2, Quartz Trail.

### **DISCUSSION**

TPG AG EHC SD (LEN) CA 1, L.P., a Delaware limited partnership (the “Owner”) and Lennar Homes of California, LLC (the “Developer”), are proposing to develop a residential community of 80 homes on approximately 26 gross acres within the City. The property is located southeast of Evans Road and Holland Road, as shown in the attached Location Map. The Owner has requested that the City form a Community Facilities District (“CFD No. 2025-2”) in accordance with the Mello-Roos Community Facilities Act of 1982, as amended, 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 million. Any bonds issued by CFD No. 2025-2 would not be obligations of the City and would be secured solely by the Special Taxes levied in CFD 2025-2.

The Owner has requested that the boundaries of CFD No. 2025-2 include the area described in Exhibit A of the Resolution of Intention to Establish CFD No. 2025-2 (the “Resolution of Intention”) and that special taxes be levied within the boundaries of CFD No. 2025-2 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. 2025-2 was presented to the Finance Committee in November 2024 and was recommended for submittal to the City Council for review.

The Resolution of Intention is the first step in the process to form CFD No. 2025-2. The attached resolutions declare the City's intention to establish CFD No. 2025-2, the intention to incur bonded indebtedness by CFD No. 2025-2 and call for a public hearing. If the resolutions are approved, a public hearing on the matter would take place on April 2, 2025, and at that time the City Council would formally consider approving the formation of CFD No. 2025-2, and holding an election on the proposed special taxes and the incurring of bonded indebtedness within CFD No. 2025-2.

The Developer may request that the City enter into a joint community facilities agreement (the "JCFA") with the Developer and Eastern Municipal Water District relating to certain facilities proposed to be financed by CFD No. 2025-2 and owned and operated by Eastern Municipal Water District. If the decision is made to finance facilities of Eastern Municipal Water District, the JCFA will be entered into prior to the approval of the issuance of bonds pursuant to the Act.

The Developer is proposing that CFD No. 2025-2 include 80 residential units. The home sizes in CFD No. 2025-2 are planned to range from approximately 2,767 to 4,134 square feet. The total effective tax rate is estimated to range from 1.79% to 1.81% 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 \$3,960 for home sizes less than 2,800 square feet to \$4,994 for home sizes greater than 4,000 square feet. Such rates would escalate at 2% per year.

The anticipated bond issuance amount based on estimated rates would be approximately \$5,630,000 which would cover a reserve fund, financing costs, and generate approximately \$4,780,000 in net bond proceeds for facilities. The proposed facilities that may be funded with proceeds of the bonds are currently estimated to be:

- \$253,780 – City priority facilities, a 20% premium for project-specific priorities
- \$1,268,900 – City Development Impact Fees
- \$1,069,354 – Landscape, trail and street improvements
- \$2,919,162 – Eastern Municipal Water 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**

The Developer made a deposit to pay for the costs of the formation proceedings, which may be reimbursed to the Developer in accordance with the reimbursement agreement to be entered into by the City with the Developer. CFD 2025-2 would annually levy special taxes on all of the taxable property within CFD 2025-2 in accordance with the RMA in order to pay for the costs of facilities, debt service on bonds and administration of CFD No. 2025-2. Any bonds issued by CFD No. 2025-2 would not be obligations of the City and would be secured solely by the Special Taxes levied in CFD 2025-2.

#### **ATTACHMENTS**

1. Project Location Map
2. Resolution of Intention to Establish CFD 2025-2
3. Resolution of Intention to Incur Debt CFD 2025-2
4. Landowner Petition CFD 2025-2
5. Reimbursement Agreement 2025-2