



CITY OF MENIFEE

SUBJECT: Menifee Valley Specific Plan Project and McCall Boulevard Improvements Reimbursement

MEETING DATE: March 6, 2024

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Adopt a resolution designating \$5,540,317 from the Nova Battery Energy Storage Systems (BESS) Community Benefit Agreement (CBA) payment to a committed reserve fund balance account towards the McCall Boulevard improvement project reimbursement, to be used only in the event funding is needed beyond the primary project reimbursement sources stipulated under the terms of the Menifee Valley Specific Plan Development Agreement.

DISCUSSION

At the February 21, 2024, City Council meeting, the City Council approved the Menifee Valley Specific Plan Development Agreement ("MVSP DA") between the City of Menifee and Minor Ranch, LLC ("Developer") for the development of the MVSP Project. The proposed deal points of the MVSP DA with the Developer were presented to the Finance Committee on December 12, 2023. Following review and discussion, the Finance Committee recommended submitting the agreement to the Planning Commission and City Council for consideration. Subsequently, the Planning Commission reviewed the proposed MVSP DA on January 10, 2024, and recommended presenting it as an agenda item for City Council consideration. A public hearing was then held for the MVSP DA at the February 7, 2024, City Council meeting with final approval at the February 21, 2024 City Council meeting.

Amongst the key deal points of the MVSP DA are some important transportation infrastructure components. Specifically, various offsite improvements to McCall Blvd. would be required to accommodate the new development. The agreement between the City and Developer contains terms with respect to construction timing in relation to the project development, and Developer's obligation for the improvements. The total estimated cost of the McCall Blvd. improvements is

\$17 million, with a 37% Developer obligation. The Developer has agreed to construction of the full improvements, with the costs above the 37% obligation, to be reimbursed by the City within three years following the Notice of Completion for the McCall Blvd. improvements.

The McCall Blvd. improvements are needed to accommodate the MVSP Project, but also to support the road infrastructure needs of the city in general. Construction of these improvements is a high priority, and to help streamline the construction, the City agrees to moving forward with having the Developer construct the improvements, and reimbursing for the excess costs above the Developer's 37% required obligation. Based on total estimated costs of \$17 million, the excess costs are estimated at \$10.7 million.

On May 3, 2023, City Council approved and authorized the City Manager to execute the CBA for the Nova BESS Project (Plot Plan No. PLN 22-0154 and Conditional Use Permit No. PLN 22-0155), location bounded by Antelope Road to the west, railroad tracks and Case Road to the northeast, a drainage canal, electrical transmission corridor and McLaughlin Road to the south, Matthews Road and vacant parcel to the east, and a concrete batch plant, Ethanac Road, and State Route 74 to the north. As part of the Nova BESS CBA, the City received a one-time payment of \$6,540,317 to offset the fiscal impact of alternative site uses. \$1,000,000 of the \$6,540,317 has been set aside and is required to be contributed towards a Road and Bridge Benefit District (RBBD) currently in formation. The remaining \$5,540,317 is held in an assigned fund balance account (Account No. 100-4584) and has not been designated for any specific use at this time. Pursuant to the executed CBA, the \$5.5 million could be used for future benefits to the City overall.

The MVSP DA identifies the \$5.5 million Nova BESS CBA as a source of funds available to be used to meet the City's obligation to reimburse the Developer within three years of completion of the McCall Blvd. improvements. A number of other sources are also identified, including (1) fair share contributions from other landowners that will receive a material benefit from the improvements, (2) special tax or bond proceeds from a land-based financing district, including without limitation a community facilities district (CFD) and/or a RBBD, where such proceeds are eligible for use for reimbursement of all or a portion of the obligations, or (3) if necessary, the City's General Fund. Additionally, the MVSP DA makes the Developer responsible for seeking eligible Transportation Uniform Mitigation Fee (TUMF) Program reimbursement/credits through the Western Riverside Council of Governments thereby reducing the City's reimbursement obligation.

It is anticipated that substantially all the City's reimbursement obligation will be satisfied through a combination of property owner contributions, TUMF reimbursements/credits, and CFD bond premiums. Additional developments prior to the commencement of the Developer constructing the improvements may also reduce the scope of the construction, reducing the cost and the City's obligation. However, to provide assurance to the Developer that the City can fund the reimbursements within the 3-year period, the DA was structured to include designation of the Nova BESS CBA. If the Nova BESS CBA funds are required to be used, reimbursements of the CBA will be provided as additional property owner contributions and related sources are received over time. Staff is recommending the City Council designate \$5,540,317 to a committed reserve account for the City's obligation towards the McCall Blvd. improvements. Should the City satisfy the obligation without using the Nova BESS CBA funds, staff will request City Council approval to un-designate the funds. Again, it is anticipated that alternative funding would be received to cover

the reimbursements, however, the designation of the Nova BESS CBA funding is to ensure the ability to meet the three-year timing requirement.

STRATEGIC PLAN OBJECTIVE

1. Connectivity and Mobility

FISCAL IMPACT

The current fiscal impact for this item is \$5,540,317 of fund balance, currently held within the assigned fund balance account (account no. 100-4584), which would be transferred to a committed reserve fund balance account. If the funds are not required to be spent at a later point in time as part of the MVSP DA, the money could be made available within the General Fund for other uses. No additional budget appropriation action(s) is required at this time.

ATTACHMENTS

1. Resolution