



CITY OF MENIFEE

SUBJECT: Ordinance Introduction and First Reading for Change Proceedings for Improvement Area Nos. 2 and 3 of Community Facilities District No. 2022-3, Legado

MEETING DATE: November 6, 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 amending the boundary map of Community Facilities District No. 2022-3, Legado, located to the northwest of Antelope Road and Chambers Avenue and south of Rouse Road, amending the rate and method of apportionment of special taxes for Improvement Area No. 2, decreasing the maximum authorized bonded indebtedness for Improvement Area No. 2, designating Improvement Area No. 3 and declaring the Necessity to Incur Bonded Indebtedness Within Improvement Area No. 3; and
2. Adopt a resolution certifying election results for Community Facilities District No. 2022-3, Legado; and
3. Introduce an ordinance authorizing the levy of special taxes within Improvement Area No. 2 and Improvement Area No. 3 of Community Facilities District No. 2022-3, Legado.

DISCUSSION

BLC Fleming, LLC (the “Developer”) and the City of Meniffee (“the City”) previously worked together to form Community Facilities District No. 2022-3, Legado, of the City of Meniffee (the “CFD”) for the development project known as Legado (“Project”). The property is located to the northwest of Antelope Road and Chambers Avenue and south of Rouse Road.

The CFD included two improvement areas designated Improvement Area No. 1 (“Improvement Area No. 1”) and Improvement Area No. 2 (“Improvement Area No. 2”). The Developer has entered into a contract to sell the property in the CFD to Lennar Homes (“Lennar”) in three separate “Phases.” Lennar has closed on the Phase 1 property (491 homesites); however, the closing of the Phase 2 property (201 homesites) and the Phase 3 property (330 homesites) will

occur later, on separate dates. The boundary of Improvement Area No. 1 is entirely within the Phase 1 property. However, the currently existing Improvement Area No. 2 includes property in both Phase 2 and Phase 3.

Since Phases 2 and 3 are under contract to be acquired at different times, the Developer has requested that the boundary of Improvement Area No. 2 be amended to create a new Improvement Area No. 3 ("Improvement Area No. 3") therein. The new Improvement Area No. 2 boundary would consist of the Phase 2 property within Improvement Area No. 2, and the Improvement Area No. 3 boundary would consist of the Phase 3 property within the existing Improvement Area No. 2. No new property would be added to the CFD and all conditions of approval remain the same.

The proposed change proceedings are being undertaken to clearly delineate the phases within each improvement area as the project develops and as CFD bonds are issued. It is also possible that Phase 2 and/or Phase 3 could ultimately be acquired by a homebuilder other than Lennar. If that were to occur, having a separate improvement area for each builder would keep the CFD bond issuance and reimbursement process more orderly and would avoid the potential for different parties requesting the same CFD funds for their respective development costs.

In connection with the proposed change proceedings, the existing rate and method of apportionment of special taxes for Improvement Area No. 2 would be amended and restated to reduce the minimum taxable acreage (as property is being removed therefrom) and the tax rates for approved property and undeveloped property would be adjusted accordingly. A new rate and method of apportionment of special taxes for Improvement Area No. 3 would need to be approved, which would have the same tax rates for developed property as Improvement Area Nos. 1 and 2. Improvement Area No. 2 currently is authorized to issue up to \$45 million in bonds. It is proposed that the maximum authorized bonded indebtedness for Improvement Area No. 2 be reduced to \$17 million and that the CFD be authorized to incur bonded indebtedness for Improvement Area No. 3 in a principal amount not to exceed \$28 million.

On October 2, 2024, the City Council adopted a resolution to initiate the process for the change proceedings (the "Resolution of Consideration"). The Resolution of Consideration called for a public hearing to be held at this City Council meeting. Following the close of the public hearing, the City Council will be asked to adopt the resolution (the "Approving Resolution") approving the change proceedings. Such resolution calls for an election to submit to the qualified voters in Improvement Area No. 2 the measure on the approval of the levy of special taxes in Improvement Area No. 2 in accordance with the Amended and Restated Rate and Method of Apportionment for Improvement Area No. 2. The Approving Resolution also calls for an election to submit to the qualified voters in Improvement Area No. 3, the measures on the levy of special taxes in Improvement Area No. 3 in accordance with the Rate and Method of Apportionment for Improvement Area No. 3 and the issuance of bonds for Improvement Area No. 3 in an amount not to exceed \$28 million.

On file with the City Clerk are Certificates of the Registrar of Voters of Riverside County, attached for reference, certifying that there are no registered voters residing within the boundaries of Improvement Area No. 2 and Improvement Area No. 3. Accordingly, under the Mello-Roos Act, only landowners in Improvement Area No. 2 and Improvement Area No. 3 are eligible to vote at

the respective election with each owner having one vote for each acre (or portion thereof) that they own within Improvement Area No. 2 and Improvement Area No. 3, as applicable. The Developer and Lennar, as the owners of the property in Improvement Area No. 2 and Improvement Area No. 3, as applicable, would be landowner voters in the elections.

If the City Council approves the resolution calling the elections, the City Clerk would conduct the elections. The City Clerk would announce the elections results, and the City Council would be asked to adopt the resolution certifying the elections results. Based upon certification that two thirds of the votes cast are in favor of each proposition voted upon, the resolution certifying the election results directs the City Clerk to record an amended notice of special tax lien on the property within Improvement Area No. 2, a notice of cessation of special taxes on the portion of the property in Improvement Area No. 2 that is included in Improvement Area No. 3 and a notice of special tax lien on the property in Improvement Area No. 3. The City Council would then be asked to introduce the Ordinance authorizing the levy of the special tax within Improvement Area No. 2 and Improvement Area No. 3.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

The Developer made a deposit to pay for the costs of the change proceedings that may be reimbursed to the Developer in accordance with the reimbursement agreement previously entered into with the Developer. There is no impact to the General Fund and no additional budget appropriation is required.

ATTACHMENTS

1. Resolution Approving Change Proceedings
2. Resolution Certifying Election Results
3. Ordinance Levying Special Taxes
4. Certificates of Registrar of Voters