



CITY OF MENIFEE

SUBJECT: Proposed Formation of Community Facilities District No. 2024-1, Banner Park II

MEETING DATE: June 19, 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 of intention to establish Community Facilities District No. 2024-1, Banner Park II, located to the southeast of Domenigoni Parkway at Lindenberger Road; and
2. Adopt a resolution of intention to incur bonded indebtedness for Community Facilities District No. 2024-1, Banner Park II.

DISCUSSION

Pulte Home Company, LLC, a Michigan Limited Liability Company (“Developer”) is proposing to develop a residential community of 182 homes on approximately 31 net acres within the City. The property is located to the southeast of Domenigoni Parkway at Lindenberger Road, as shown in the attached Project Location Map. The Developer has requested that the City form Community Facilities District (CFD) No. 2024-1 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 \$15,000,000. The Developer has requested that the boundaries of CFD No. 2024-1 include the area described in the Project Location Map and those special taxes be levied within the boundaries of CFD No. 2024-1 in accordance with the Rate and Method of Apportionment (RMA) as described in Exhibit C to the resolution of intention.

This proposed CFD No. 2024-1 was presented to the Finance Committee at its September meeting and was recommended for submittal to the City Council for approval.

The resolution of intention is the first step in the process to form CFD No. 2024-1. The attached resolutions declare the City's intention to establish CFD No. 2024-1, the intention to incur bonded indebtedness by CFD No. 2024-1 and call for a public hearing. A public hearing on the matter would take place on August 7, 2024, and at that time the City Council would formally consider approval to form CFD No. 2024-1 and hold a special election on the approval of the special taxes and the incurring of bonded indebtedness within CFD No. 2024-1.

The Developer may request that the City enter into joint community facilities agreements (JCFAs) with the Developer and both Eastern Municipal Water District and Menifee Union School District relating to certain facilities proposed to be financed by CFD No. 2024-1 and owned and operated by such entities. If the decision is made to finance facilities of such entities, the JCFAs would be entered into prior to the approval of the issuance of bonds pursuant to the Act.

The Developer is proposing to build 182 residential units in CFD No. 2024-1. The home sizes in CFD No. 2024-1 are planned to range from approximately 2,191 to 3,237 square feet. The total effective tax rate is estimated to be at or below two percent of projected home prices, which is the allowable tax rate limit in the City's Special Assessment and Community Facilities District Goals and Policies.

Under the RMA, the estimated assigned annual tax rates range from \$2,952 for home sizes less than 2,200 square feet to \$3,699 for home sizes greater than 3,200 square feet. Such rates would escalate at two percent per year.

The anticipated bond issuance amount based on current rates would be approximately \$10,145,000 which would cover a reserve fund, financing costs, and generate approximately \$8,857,023 in net bond proceeds for facilities. The proposed facilities, which may be funded with proceeds of the bonds, are estimated to be:

- \$180,544 – City priority facilities, a 20% premium for project-specific priorities
- \$902,720 – City Development Impact Fees
- \$8,252,822 – City Facilities, including park, storm drain and street facilities
- \$3,321,682 – Eastern Municipal Water District facilities
- \$637,000 – Menifee Union School District facilities
- \$510,750 – Dry utilities

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 in accordance with the acquisition agreement to be entered into by the City with the Developer. CFD No. 2024-1 would annually levy special taxes on all the taxable property within CFD No. 2024-1 in accordance with the RMA in order to pay for the costs of facilities, debt service on bonds and administration of CFD No. 2024-1. Any bonds issued by CFD No. 2024-1 would not be obligations of the City and would be secured solely by the special taxes levied in CFD No. 2024-1.

ATTACHMENTS

1. Project Location Map
2. Resolution of Intention to Establish CFD No. 2024-1
3. Resolution of Intention to Incur Debt
4. Landowner Petition