



CITY OF MENIFEE

SUBJECT: Change Proceedings for Improvement Area No. 2 of Community Facilities District No. 2022-3, Legado, by BLC Fleming, LLC

MEETING DATE: October 2, 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 consideration for Community Facilities District No. 2022-3, Legado, located northwest of Antelope Road and Chambers Avenue and south of Rouse Road, to amend the boundary map and rate and method of apportionment of special taxes for Improvement Area No. 2, reduce the maximum amount of bonded indebtedness for Improvement Area 2 by \$28 million, and establish Improvement Area No. 3, authorizing bonded indebtedness in an amount not-to-exceed \$28 million.

DISCUSSION

BLC Fleming, LLC (the “Developer”) and the City of Menifee previously worked together to form Community Facilities District No. 2022-3, Legado, of the City of Menifee (the “CFD”), for the 1,022-home development project known as Legado. The project is planned for 263 acres located northwest of Antelope Road and Chambers Avenue and south of Rouse Road, as shown in the attached Location Map.

The CFD included two improvement areas (“Improvement Area No. 1” and “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 closings 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 parcels within 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 the existing 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 is being added to the CFD.

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 reimbursement of 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 will be adjusted accordingly. A new rate and method of apportionment of special taxes for Improvement Area No. 3 would need to be approved. Improvement Area No. 3 would have the same tax rates for developed property as Improvement Area Nos. 1 and 2. It is proposed that the CFD be authorized to incur bonded indebtedness for Improvement Area No. 3 in a principal amount not to exceed \$28 million, and that the maximum authorized bonded indebtedness for Improvement Area No. 2 be reduced to \$17 million. This would not result in an increase in the previously established bonded indebtedness authorization.

The resolution of consideration, which is the first step in the process to accomplish these changes, calls for a public hearing. The public hearing would take place on November 6, 2024, and at that time the Council would formally consider the changes described above. This item was presented to the Finance Committee at the July 9, 2024, meeting. The committee reviewed the request and made a motion recommending the item be submitted for City Council consideration.

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 previously approved reimbursement agreement. There is no impact to the General Fund and no additional budget appropriation action(s) are required.

ATTACHMENTS

1. Location Map
2. Resolution of Consideration