



CITY OF MENIFEE

SUBJECT: Issuance of Special Tax Bonds for Community Facilities District 2022-1, Quartz Ranch

MEETING DATE: August 21, 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 authorizing the issuance of special tax bonds and the execution and delivery of bond documents in connection with Community Facilities District 2022-1, Quartz Ranch, located south of La Piedra Road, on both the east and west sides of Evans Road.
2. Authorize the Finance Department to establish the necessary revenue and expenditure budgets and corresponding appropriations for the bond issuance.

DISCUSSION

The City Council previously completed the necessary proceedings to establish Community Facilities District No. 2022-1, Quartz Ranch, of the City of Meniffee (the "District") and the incurrence of bonded indebtedness by the District in a principal amount not-to-exceed \$27 million to finance public facilities.

In July 2023, the District issued its first series of bonds in the principal amount of \$11,525,000 (the "2023A Bonds") to finance certain public facilities. The proposed Special Tax Bonds, Series 2024A (the "2024A Bonds") would be issued to finance the costs of additional public improvements benefitting the District. The 2024A Bonds would be payable from the Special Taxes of the District on parity with the 2023A Bonds.

The District contains approximately 80 taxable acres and is located south of La Piedra Road, on both the east and west sides of Evans Road in the City. The developer of the property is Lennar Homes of California, LLC, a California limited liability company ("Lennar"). The project is planned for 379 single-family detached homes and is being marketed by Lennar as "Quartz Ranch."

Development in the District has progressed since the issuance of the District's 2023A Bonds. As of June 17, 2024, Lennar had completed and conveyed 278 homes within the District to individual homeowners, and as of such date, Lennar owned five model homes, 70 homes in various stages of construction (48 of which were in escrow), and 26 finished lots (none of which were in escrow). Lennar currently expects to complete and convey all homes planned within the District to individual homeowners by the end of 2025.

Annual debt service on the proposed 2024A Bonds would be sized based on the expected Special Tax revenues to be received from all 379 parcels to be developed in the District. The development and ownership status of the planned homes within the District as of June 17, 2024, is shown in the table below.

Ownership and Development Summary (June 17, 2024)		
	<u>Parcels</u>	<u>In Escrow</u>
Individually Owned		
Completed	278	--
Developer Owned		
Model Homes	5	--
Under Construction	70	48
Finished Lots	<u>26</u>	--
Subtotal	<u>101</u>	<u>48</u>
TOTAL	379	48

The property owners are expected to pay Special Taxes of approximately \$2,893 to \$4,039 per parcel in Fiscal Year 2024/2025, depending on the size of the home. Those Special Taxes would increase at 2.0% per year.

Based on current market conditions, the 2024A Bonds are estimated to have a par amount of approximately \$9.465 million with a final maturity of September 1, 2054 (30-year financing term). Proceeds from the 2024A Bonds would primarily finance public improvements benefiting the development within the District. The final par amount and interest rate structure would be determined when the 2024A Bonds are priced and sold, which is currently expected to occur in late August/early September. Following the issuance of the 2024A Bonds, the lien would be closed, and no additional parity bonds would be permitted except for refunding bonds.

As required under Section 5852.1 of the California Government Code (the "Code"), good faith estimates as provided by the Municipal Advisor and Underwriter are provided as an attachment to this staff report.

The resolution before the City Council authorizes the issuance of the 2024A Bonds and the execution and delivery of the following documents attached to this staff report:

- Preliminary Official Statement
- First Supplement to the Bond Indenture

- Continuing Disclosure Certificate
- Bond Purchase Agreement

Bond Counsel and the City Attorney have reviewed the attached legal and financing documents on behalf of the City and the District. If this resolution is approved, City staff would continue to work with the financing team to finalize the aforementioned documents. The pricing date is targeted for late this month, with bond closing anticipated in September 2024.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

The 2024A Bonds are paid from Special Taxes levied in the District. The property owners are expected to pay Special Taxes of approximately \$2,893 to \$4,039 per parcel in Fiscal Year 2024/2025, depending on the size of the home. Such Special Taxes would increase 2.0% per year. There is no fiscal impact to the City's General Fund.

ATTACHMENTS

1. Project Map CFD 2022-1
2. Good Faith Estimates CFD 2022-1
3. Resolution of Issuance CFD 2022-1
4. Preliminary Official Statement CFD 2022-1
5. First Supplement to the Bond Indenture CFD 2022-1
6. Continuing Disclosure Certificate CFD 2022-1
7. Bond Purchase Agreement CFD 2022-1
8. Appraisal Report