



CITY OF MENIFEE

SUBJECT: Resolutions of Intention to Form and Incur Bonded Indebtedness for Facilities CFD No. 2023-2 (Cimarron Ridge)

MEETING DATE: March 15, 2023

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Regina Funderburk, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Adopt a Resolution of Intention to establish Community Facilities District (CFD) No. 2023-2, Cimarron Ridge, to the southwest of McLaughlin Road and Byers Road, and authorize the levy of a special tax to pay the costs of acquiring or constructing certain facilities and to pay debt service on bonded indebtedness; and
2. Adopt a Resolution of Intention to incur bonded indebtedness in an amount not-to-exceed \$25,000,000 for Community Facilities District No. 2023-2 (Cimarron Ridge) of the City of Meniffee.

DISCUSSION

Pulte Home Company, LLC, a Michigan limited liability company (the “Developer”) is proposing to develop a residential community of 756 homes on approximately 209 gross acres within the City. The property is located to the southwest of McLaughlin Road and Byers Road, as shown in the attached Location Map. The Developer has requested that the City form a Community Facilities District (“CFD No. 2023-2”) and two improvement areas therein (“Improvement Area No. 1” and “Improvement Area No. 2”) 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 \$10,000,000 for Improvement Area No. 1 and \$15,000,000 for Improvement Area No. 2 (for a total of \$25,000,000). The Developer has requested that the boundaries of CFD No. 2023-2 and the Improvement Areas therein include the area described in Attachment A of the Resolution of Intention to Establish CFD No. 2023-2 (the “Resolution of Intention”) and that special taxes be levied within the boundaries of Improvement Area No. 1 in accordance with the Rate and Method of Apportionment (RMA) as described in Attachment C to the Resolution of Intention and within the boundaries of Improvement Area No. 2 in accordance with the Rate and Method of Apportionment (the

“Improvement Area No. 2 RMA”) as described in Attachment D to the Resolution of Intention.

This proposed CFD No. 2023-2 was previously presented to the Finance Committee 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. 2023-2. The attached resolutions declare the City’s intention to establish CFD No. 2023-2 and Improvement Area No. 1 and Improvement Area No. 2. therein, and the intention to incur bonded indebtedness by CFD No. 2023-2 for each of Improvement Area No. 1 and Improvement Area No. 2 and call for a public hearing. A public hearing on the matter will take place on April 19, 2023, and at that time the Council would formally consider approval to form CFD No. 2023-2 and Improvement Area No. 1 and Improvement Area No. 2. therein, and hold an election on the approval of the special taxes and the incurring of bonded indebtedness within each of Improvement Area No. 1 and Improvement Area No. 2.

The Developer may request that the City enter into joint community facilities agreements (the “JCFAs”) with the Developer and each of Eastern Municipal Water District, Menifee Union School District, Romoland School District and/or Perris Union High School District relating to certain facilities proposed to be financed by CFD No. 2023-2 and owned and operated by such entities. If the decision is made to finance facilities of such entities, the JCFAs will be entered into prior to the approval of the issuance of bonds pursuant to the Act.

The Developer is proposing to build 424 residential units in Improvement Area No. 1 and 332 residential units in Improvement Area No. 2, for a total of 756 residential units in the District. The home sizes in CFD No. 2023-2 are planned to range from approximately 1,579 to 3,961 square feet. The total tax effective tax rate is estimated to be at or below 2.00% of projected home prices, which is the allowable tax rate limit in the City’s Financing Goals and Policies.

The Improvement Area No. 1 RMA and the Improvement Area No. 2 each provide for three tax zones. Within Tax Zone 1 of Improvement Area No. 1, the estimated assigned annual tax rates range from \$801 for home sizes less than 2,300 square feet to \$1,069 for home sizes greater than 3,300 square feet. Within Tax Zone 2 of Improvement Area No. 1, the estimated assigned annual tax rates range from \$1,252 for home sizes less than 3,350 square feet to \$1,464 for home sizes greater than 3,750 square feet. Within Tax Zone 3 of Improvement Area No. 1, the estimated assigned annual tax rates range from \$254 for home sizes less than 2,300 square feet to \$843 for home sizes greater than 2,600 square feet. Such rates will escalate at 2% per year.

Within Tax Zone 1 of Improvement Area No. 2, the estimated assigned annual tax rates range from \$1,617 for home sizes less than 2,300 square feet to \$1,920 for home sizes greater than 2,300 square feet. Within Tax Zone 2 of Improvement Area No. 2, the estimated assigned annual tax rates range from \$1,543 for home sizes less than 1,700 square feet to \$1,873 for home sizes greater than 2,300 square feet. Within Tax Zone 3 of Improvement Area No. 2, the estimated assigned annual tax rates range from \$1,681 for home sizes less than 2,500 square feet to \$1,869 for home sizes greater than 3,300 square feet. Such rates will escalate at 2% per year.

With respect to Improvement Area No. 1, the anticipated bond issuance amount based on current rates would be approximately \$6,560,000 which would cover a reserve fund, financing costs, and generate approximately \$5,460,657 in net bond proceeds for facilities. The proposed facilities, which may be funded with proceeds of the bonds for Improvement Area No. 1 are currently estimated to be:

- \$654,194 – City Priority Facilities (20% premium to Project Specific Priorities, per City's CFD Goals & Policies)
- \$3,270,970 – City Development Impact Fees & Quimby Fees
- \$1,054,348 – City Facilities (park and roadway facilities)
- \$481,145 – Eastern Municipal Water District Facilities

With respect to Improvement Area No. 2, the anticipated bond issuance amount based on current rates would be approximately \$9,500,000 which would cover a reserve fund, financing costs, and generate approximately \$7,982,676 in net bond proceeds for facilities. The proposed facilities, which may be funded with proceeds of the bonds for Improvement Area No. 2 are currently estimated to be:

- \$512,246 – City Priority Facilities (20% premium to Project Specific Priorities, per City's CFD Goals & Policies)
- \$2,561,232 – City Development Impact Fees & Quimby Fees
- \$3,035,648 – City Facilities (park and roadway facilities)
- \$1,873,550 – Eastern Municipal Water District Fees and Facilities

For each of Improvement Area No. 1 and Improvement Area No. 2, the amount of the foregoing facilities costs which 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 to the Developer in accordance with the reimbursement agreement on file with the City Clerk. CFD No. 2023-2 will annually levy special taxes on all of the taxable property within Improvement Area No. 1 and Improvement Area No. 2 in accordance with the applicable RMA in order to pay for the costs of facilities, debt service on bonds and administration of CFD No. 2023-2. Any bonds issued by CFD No. 2023-2 for Improvement Area No. 1 and Improvement Area No. 2 would not be obligations of the City and would be secured solely by the Special Taxes levied in the applicable improvement area.

ATTACHMENTS

1. Project Location Map
2. Resolution of Intention to Establish CFD No. 2023-2
3. Resolution of Intention to Incur Debt
4. Reimbursement Agreement
5. Landowner Petition