



CITY OF MENIFEE

SUBJECT: Resolutions of Intention to Form and Incur Bonded Indebtedness for Facilities CFD No. 2023-1 (Rockport Ranch)

MEETING DATE: May 3, 2023

TO: Mayor and City Council

PREPARED BY: Lauri Lockwood, Financial Analyst

REVIEWED BY: Margarita Cornejo, Deputy Finance Director

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Rescind Resolution No. 23-1281 and No. 23-1282 approved on February 15, 2023; and
2. Adopt a Resolution of Intention to establish Community Facilities District No. 2023-1 (Rockport Ranch) of the City of Menifee, to 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
3. Adopt a Resolution of Intention of the City Council of the City of Menifee to incur bonded indebtedness in an amount not-to-exceed \$23,000,000 within proposed Community Facilities District No. 2023-1 (Rockport Ranch) of the City of Menifee.

DISCUSSION

This proposed CFD No. 2023-1 was previously presented to the Finance Committee and was recommended for submittal to the City Council. At the February 15, 2023 Council meeting, City Council approved Resolution 23-1281, related to the formation of CFD 2023-1 and Resolution 23-1282 related to the intention to incur bonded indebtedness for the District. Those resolutions are being rescinded in order to include dry utilities on the list of authorized facilities and to establish a new public hearing date of June 7, 2023.

The Resolution of Intention is the first step in the process to form CFD No. 2023-1. The attached resolutions declare the City's intention to establish CFD No. 2023-1 and the intention to incur bonded indebtedness by CFD No. 2023-1 and call for a public hearing. At the public hearing, Council would formally consider approval to form CFD No. 2023-1, and hold an election on the approval of the special taxes and the incurring of bonded indebtedness within CFD No. 2023-1.

AG EHC II (LEN) CA 1, L.P., a Delaware limited partnership (Owner) is the current owner of approximately 80 acres within the City located on the southwest corner of Old Newport Road and Briggs Road, as shown in the attached Location Map. The Owner is serving as the land bank of such property for Lennar Homes of California, LLC, a California limited liability company (Developer). The Developer plans to acquire the property from the Owner to develop a residential community of 305 homes. The Owner has requested that the City form a Community Facilities District (CFD) (CFD No. 2023-1) 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 \$23,000,000. The Developer has requested that the boundaries of CFD No. 2023-1 include the area described in Attachment A of the Resolution of Intention to Establish CFD No. 2023-1 and that special taxes be levied within the boundaries of the District in accordance with the Rate and Method of Apportionment (RMA) as described in Attachment C to the Resolution of Intention.

The Developer proposes to enter into a joint community facilities agreement (JCFA) with the City and Eastern Municipal Water District (EMWD), relating to certain facilities proposed to be financed by CFD No. 2023-1 and owned and operated by EMWD. The Developer also proposes to enter into a JCFA with the Menifee Union School District and together with EMWD, the JCFAs with the City and Menifee Union School District, relating to certain facilities proposed to be financed by CFD No. 2023-1 and owned and operated by the School District. The City expects to enter into the JCFAs prior to the approval of the issuance of bonds pursuant to the Act.

The Developer is proposing to build 305 residential units in the District. The total 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 RMA provides for two tax zones. With Tax Zone 1, the estimated assigned annual tax rates range from \$2,595 for home sizes less than 1,900 square feet to \$2,752 for home sizes greater than 2,200 square feet. With Tax Zone 2, the estimated assigned annual tax rates range from \$2,743 for home sizes less than 1,900 square feet to \$4,767 for home sizes greater than 3,900 square feet. Such rates will escalate at 2% per year.

The anticipated bond issuance amount based on current rates would be approximately \$16,965,000 which would cover a reserve fund, financing costs, and generate approximately \$14,674,053 in net bond proceeds for facilities. The proposed facilities, which may be funded with proceeds of the bonds are currently estimated to be:

- \$850,279 – City Priority Facilities (20% premium to Project Specific Priorities, per City's CFD Goals and Policies)
- \$8,158,069 – City Development Impact Fees and Quimby Fees
- \$1,495,000 – City Facilities (park, roadway and storm drainage facilities)
- \$4,170,705 – Water District/School District Facilities

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. The District will annually levy special taxes on all of the taxable property within the District in accordance with the RMA in order to pay for the costs of facilities, debt service on bonds and administration of CFD No. 2023-1. Any bonds issued by CFD No. 2023-1 would not be obligations of the City and would be secured solely by the Special Taxes levied in the District.

ATTACHMENTS

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