



CITY OF MENIFEE

SUBJECT: Proposed Formation of Community Facilities District No. 2023-1, Rockport Ranch

MEETING DATE: June 7, 2023

TO: Mayor and City Council

PREPARED BY: Lauri Lockwood, Financial Analyst

REVIEWED BY: Margarita Cornejo, Acting Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

RECOMMENDED ACTION

1. Adopt a resolution of the City Council of the City of Menifee establishing Community Facilities District (CFD) No. 2023-1 (Rockport Ranch) of the City of Menifee to authorize the levy of special tax, calling an election and approving and authorizing certain actions related thereto; and
2. Adopt a resolution of the City Council of the City of Menifee acting as the legislative body of CFD No. 2023-1 (Rockport Ranch) of the City of Menifee determining the necessity to incur bonded indebtedness in an amount not-to-exceed \$23,000,000 within CFD No. 2023-1 of the City of Menifee and calling an election; and
3. Adopt a resolution of the City Council of the City of Menifee acting in its capacity as the legislative body of CFD No. 2023-1 (Rockport Ranch) certifying election results; and
4. Introduce an ordinance of the City Council of the City of Menifee acting in its capacity as the legislative body of CFD No. 2023-1 (Rockport Ranch) authorizing the levy of special taxes.

DISCUSSION

The Finance Committee reviewed the proposed CFD No. 2023-1 and recommended submittal to the City Council for approval at the May 3, 2023, City Council meeting.

On May 3, 2023, the City Council adopted Resolution No. 23-1315, declaring its intent to commence the formation of CFD No. 2023-1. The next steps in the proceedings are to hold a public hearing on June 7, 2023, to conduct an election in CFD No. 2023-1 and to declare the results of the election.

AG EHC II (LEN) CA 1, L.P., a Delaware limited partnership (the “Land Bank”) and Lennar Homes of California, LLC, a California limited liability company (the “Developer”) each own a portion of the property in CFD No. 2023-1. Lennar intends to continue to acquire additional property in CFD No. 2023-1 from the Land Bank as development therein progresses. The proposed development in CFD No. 2023-1 is for 305 homes on approximately 80 gross acres.

The Land Bank has requested that the City form CFD No. 2023-1 in accordance with the Mello-Roos Community Facilities Act of 1982, as amended (the “Mello-Roos Act”), 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 Land Bank and Lennar have requested that the boundaries of CFD No. 2023-1 include the area described in “Attachment A” of the Resolution of Intention and that special taxes be levied within the boundaries of CFD No. 2023-1 in accordance with the Rate and Method of Apportionment (the “RMA”) as described in Attachment C to the Resolution of Intention, which is included as an appendix to the attached Public Hearing Report.

The Resolution of Intention called for a public hearing to be held on June 7, 2023, for the City Council to formally consider the approval of the formation of CFD No. 2023-1 and the approval of the levy of the special taxes within CFD No. 2023-1. Notice of the public hearing was published in the Press Enterprise and mailed to Lennar and the Land Bank in accordance with the Mello-Roos Act.

In connection with the public hearing, Spicer Consulting Group has prepared a Public Hearing Report that describes and analyzes the facilities to be financed by the CFD and the estimated costs of such facilities. Following the close of the public hearing, the City Council will be asked to adopt the Resolution of Formation and the Resolution Determining the Necessity to Incur Debt which, together, approve the formation of the CFD and the levy of the special taxes within the CFD in accordance with the RMA and determines the necessity for the CFD to issue bonds in an amount not-to-exceed \$23,000,000. Such Resolutions call for an election to submit to the qualified voters in the CFD, ballot measures on the approval of the special taxes, the issuance of the bonds and an appropriations limit for the CFD.

In addition, the Resolution of Formation, approves the execution and delivery of the following agreements in the forms presented to the City Council: (i) the Acquisition, Construction and Funding Agreement with Lennar (the “Funding Agreement”); and (ii) the Joint Community Facilities Agreement with Lennar and Eastern Municipal Water District (“Joint Community Facilities Agreement”). The Funding Agreement sets forth the terms, among others, pursuant to which the CFD will finance improvements to be constructed by Lennar. In accordance with the Mello-Roos Act, the approval and execution of the Joint Community Facilities Agreement allows for the CFD to finance improvements to be owned and operated by Eastern Municipal Water District, which benefit the development within the CFD.

On file with the City Clerk is a Certificate of the Registrar of Voters of Riverside County certifying that there are no registered voters residing within the boundaries of the CFD. Accordingly, under the Mello-Roos Act, only landowners in the CFD are eligible to vote at the election with each

owner having one vote for each acre (or portion thereof) that they own within the CFD. Lennar and the Land Bank, as the landowners in the CFD, have each executed a consent and waiver of certain election procedures for the election within the CFD, including certain timing requirements with respect to the election in accordance with the Mello-Roos Act. Accordingly, if the City Council approves the Resolution of Formation and the Resolution Determining the Necessity to Incur Debt, the City Clerk will conduct the election. The City Clerk will announce the election results and the City Council will be asked to adopt the Resolution Certifying the Election Results. Based on the certification that two-thirds of the votes cast are in-favor of the propositions voted upon, the Resolution Certifying the Election Results directs the City Clerk to record a notice of special tax lien on the property within the CFD. The City Council will then be asked to introduce the Ordinance authorizing the levy of the special tax within the CFD in accordance with the applicable RMA.

STRATEGIC PLAN OBJECTIVE

Regular City Business

FISCAL IMPACT

The CFD will be required to annually levy special taxes on all of the taxable property within the CFD in order to pay for the costs of facilities, debt service on bonds and administration of the CFD. Any bonds issued by the CFD are not the obligations of the City and will be secured solely by the special taxes levied in the CFD. Lennar has made a deposit to pay for the costs of forming the CFD. The Resolution of Intention, Section 13 approved a form of a Reimbursement Agreement to reimburse Lennar for these costs if and when bonds are issued for CFD.

ATTACHMENTS

1. Resolution Establishing CFD No. 2023-1
2. Resolution Determining Necessity to Incur Debt for CFD No. 2023-1
3. Resolution Certifying Election Results for CFD No. 2023-1
4. Ordinance Authorizing the Levy of Special Taxes
5. Public Hearing CFD Report
6. Registrar of Voter Certificate
7. Funding Agreement CFD No. 2023-1
8. Joint Community Facilities Agreement (EMWD)