



## **CITY OF MENIFEE**

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

MEETING DATE: June 21, 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

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### **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.

### **DISCUSSION**

The City Council previously completed the necessary proceedings to establish Community Facilities District (CFD) No. 2022-1 (Quartz Ranch) of the City of Meniffee (District). As part of those proceedings, the City Council declared the necessity to issue bonds on behalf of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (Act).

Pursuant to the Act, on April 6, 2022, the City Council adopted Resolution No. 22-1133 (the Resolution of Intention), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 22-1134, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$27,000,000 for the purpose of financing the purchase, construction, expansion or rehabilitation of certain public facilities to serve the area within the District.

On May 18, 2022, the City Council adopted Resolution Nos. 22-1150 and 22-1151 (collectively the "Resolution of Formation"). The Resolution of Formation established the District, authorized the levy of a Special Tax within the District, determined the necessity to incur bonded indebtedness in an amount not-to-exceed \$27,000,000 within the District, and called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On May 18, 2022, an election was held within the District in which the property owner within the District approved the proposition authorizing the issuance of bonds in an amount not-to-exceed \$27,000,000. A Notice of Special Tax Lien for the District was recorded in the Office of the County Recorder on May 26, 2022.

On June 1, 2022, the City Council adopted Ordinance No. 2022-341 which authorizes the levy of the Special Tax pursuant to the Rate and Method of Apportionment approved at the May 18, 2022, election.

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 within the District is Lennar Homes of California, LLC, a California limited liability company (Lennar). The project within the District is being marketed by Lennar as “Quartz Ranch.”

The property within the District is planned for 379 Single-Family detached homes. As of May 1, 2023, Lennar had completed and conveyed 84 homes within the District to individual homeowners, and as of such date, Lennar owned eight model homes, 17 completed homes, 81 homes in various stages of construction, and 189 finished lots. 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 Special Tax Bonds, Series 2023A (the “2023A Bonds”) will be sized based on the expected Special Tax revenues to be received from 216 homes classified as Developed Property for Fiscal Year 2023/2024. The bond documents allow for the issuance of additional bonds payable from Special Tax revenues on parity with the 2023A Bonds. The development and ownership status of the planned homes within the District as of May 1, 2023, is shown in Table 1 below.

**Table 1 - Ownership and Development Summary (May 1, 2023)**

	<u>Parcels</u>	<u>In Escrow</u>
<b>Individually Owned</b>		
Completed	84	--
<b>Developer Owned</b>		
Completed	17	17
Model Homes	8	--
Under Construction	81	52
Finished Lots	<u>189</u>	<u>--</u>
Subtotal	<u>295</u>	<u>69</u>
<b>TOTAL</b>	<b>379</b>	<b>69</b>

The Resolution before the City Council authorizes the issuance of Special Tax bonds and the execution and delivery of certain documents in connection therewith as further described in the following paragraphs.

The proposed 2023A Bonds are estimated to have a par amount of approximately \$11.2 million with a final maturity of September 1, 2053, (30-year financing term). Proceeds from the 2023A Bonds will primarily finance public improvements benefiting the development within the District.

The final par amount and interest rate structure will be determined when the 2023A Bonds are priced and sold, which is expected to be in late June 2023. The Bond closing is expected to occur approximately two weeks after the pricing of the 2023A Bonds.

Table 2 below highlights financing statistics based on current market conditions.

**Table 2 - Summary of Financing Statistics\***

<b>2023A Bonds</b>	
Par Amount	\$11,200,000
True Interest Cost	5.30%
<b>Estimated Cost to Homeowners</b>	
FY 2023/2024 Assessment**	<u>\$2,837 to \$3,960</u>

*\*Preliminary; Subject to Change; Based on Current Market Conditions*

*\*\*Annual Assigned Special Tax will increase at approximately 2% per year.*

As required under Section 5852.1 of the California Government Code (Code), below are the good faith estimates as provided by the Municipal Advisor and Underwriter (which are also provided as Attachment 2 to this Staff Report):

1. As illustrated above, the true interest cost of the 2023A Bonds is estimated at 5.30%, calculated as provided in Section 5852.1(a)(1)(A) of the Code
2. The finance charge of the 2023A Bonds, including underwriter's discount and all other fees and charges paid to third parties, is estimated at \$368,000.
3. Proceeds of the 2023A Bonds received by the District for the sale of the 2023A Bonds, less the finance charges set forth in (2) above and the reserve fund funded with proceeds of the 2023A Bonds, is equal to \$9,808,897 which will be available to finance the project.
4. The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$24,222,471.

The foregoing are estimates and the final amounts will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

### **Documents to be Approved**

Approval of the attached Resolution authorizes the sale of the proposed 2023A Bonds and the execution of the following documents attached to this Staff Report:

- ✓ Preliminary Official Statement
- ✓ 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 will continue to work with the financing team to finalize all the aforementioned documents. As previously mentioned, the pricing date would be targeted for late June 2023, with bond closing anticipated in July 2023.

### **STRATEGIC PLAN OBJECTIVE**

Regular City Business

### **FISCAL IMPACT**

The 2023A Bonds will be paid from Special Taxes levied in the District. There is no fiscal impact to the City's General Fund.

The property owners are expected to pay Special Taxes of approximately \$2,837 to \$3,960 per parcel in FY 2023/2024, depending on the size of the home. Such Special Taxes will increase at 2.0% per year through 2053.

### **ATTACHMENTS**

1. Project Map
2. Good Faith Estimates
3. Resolution
4. Preliminary Official Statement
5. Bond Indenture
6. Continuing Disclosure Certificate
7. Bond Purchase Agreement
8. Appraisal Report