



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: April 4, 2023
SUBJECT: Formation of CFD No. 2023-1 (Fairway Canyon)

Description Adopt by resolution the City of Beaumont's intent to establish City of Beaumont Community Facilities District No. 2023-1 (Fairway Canyon) and improvements therein, and to declare intention to incur bond indebtedness within each improvement area.

Background and Analysis:

The developer, Meritage Homes of California, Inc., a California corporation (the "Developer") and D.R. Horton Los Angeles Holding Company, Inc., a California corporation, own property containing 419 proposed residential lots within the City. Such property is located in the northwestern part of the City, west of Tukwet Canyon Parkway, and north of Oak Valley Parkway. The Developer has requested that the City form a community facilities district ("CFD No. 2023-1") with two improvement areas therein ("Improvement Area No. 1" and "Improvement Area No. 2" and together, the "Improvement Areas") to encompass such property in accordance with the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to finance the costs of certain public improvements, public safety services, and maintenance services through the levy of a special tax. Improvement Area No. 1 is planned to include approximately 132 residential units and Improvement Area No. 2 is planned to include approximately 287 residential units.

The City of Beaumont is obligated to cooperate in the formation of the CFD for this development as was agreed upon by the City and the developer in a Development Agreement effective November 11, 2002, and specified in Section 10 DEVELOPMENT OF THE PROJECT (10.6 Mello-Roos Communities Facilities Districts; Other Assessment Districts or Financing Mechanisms).

In order to finance the CFD facilities and incidental expenses, the City intends to issue bonds secured by special taxes levied in each improvement area. The maximum amount of bonded indebtedness proposed for Improvement Area No. 1 is \$3.5 million

and the maximum amount of bonded indebtedness proposed for Improvement Area No. 2 is \$11 million.

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 presented at this meeting (the “Resolution of Intention”), and that special taxes be levied within the boundaries of Improvement Area No. 1 and Improvement Area No. 2 in accordance with the applicable Rate and Method of Apportionment (each an “RMA”) described in Attachments C and D to the Resolution of Intention. The Resolution of Intention is the first step in the process of forming CFD No. 2023-1. The attached Resolutions declare the City’s intention to establish CFD No. 2023-1 and designate Improvement Area No. 1 and Improvement Area No. 2 therein, its intention to incur bonded indebtedness by CFD No. 2023-1 with respect to 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 May 16, 2023, and at that time the Council will formally consider approval to form CFD No. 2023-1, designate Improvement Area No. 1 and Improvement Area No. 2 therein, and hold elections on the approval of the special taxes and the need to incur bonded indebtedness within CFD No. 2023-1 for Improvement Area No. 1 and Improvement Area No. 2.

The proposed CFD No. 2023-1 will establish four categories of special taxes in each improvement area. A “Special Tax A” will finance infrastructure to be completed by Meritage that serves the CFD. A “Special Tax B” will provide funds for street sweeping, traffic signal maintenance, the maintenance of landscaping and lighting of publicly owned parks, parkways, streets, roads and open spaces, flood and storm protection services, and the operation of storm drainage systems. A “Special Tax C (Contingent)” will be levied to pay for the foregoing maintenance services in the event the property owner association within the CFD fails to perform such maintenance services. A “Special Tax D” will provide funds for police protection, fire protection, ambulance and paramedic services provided within the boundaries of CFD 2023-1 and the City.

With respect to Improvement Area No. 1, the applicable RMA provides that the Fiscal Year 2023-24 Assigned Special Tax Rate A will range from \$1,328 to \$1,414 per parcel of residential property in Zone 1 and \$1,106 to \$1,414 per parcel of residential property in Zone 2. With respect to Improvement Area No. 2, the applicable RMA provides that the Fiscal Year 2023-24 Assigned Special Tax Rate A will range from \$1,481 to \$1,954 per parcel of residential property in Zone 1, \$1,736 to \$2,067 per parcel of residential property in Zone 2, and \$1,884 to \$2,135 per parcel of residential property in Zone 3. The rates vary based upon the size of homes being constructed. The Special Tax A does not escalate.

With respect to Improvement Areas No. 1 and No. 2, the Fiscal Year 2023-24 Maximum Special Tax Rate B will be \$425 per parcel of residential property, escalating at the greater of the percentage change in the Consumer Price Index or 2% per year. The Fiscal Year 2023-24 Maximum Special Tax Rate C (Contingent) will be \$246 per parcel of residential property, escalating at the greater of the percentage change in the Consumer Price Index or 2% per year. The Fiscal Year 2023-24 Maximum Special Tax Rate D will be \$509 per parcel of residential property, escalating at the greater of the percentage change in the Consumer Price Index or 5% per year.

Fiscal Impact:

The Developer has made a deposit of \$50,000 to pay for the costs of the formation proceedings which may be reimbursed to the Developer in accordance with a funding agreement to be approved with the Developer. If established and subject to necessary Council and voter approvals, CFD No. 2023-1 will annually levy special taxes on all of the taxable property within each of Improvement Area No. 1 and Improvement Area No. 2 in accordance with the RMA applicable to such Improvement Areas (as attached to the Resolution of Intention). Any bonds issued by CFD No. 2023-1 are not obligations of the City and will be secured solely by the Special Taxes levied in the applicable improvement area within CFD No. 2023-1. The inclusion of the Special Tax B is estimated to produce \$178,075 in annual revenues for public services at buildout (based on the initial rate of \$425/unit). The inclusion of the Special Tax D will produce an estimated \$213,271 in annual revenues for public safety at buildout (based on the initial rate of \$509/unit).

Recommended Action:

Waive the full reading and adopt by titles only, "Resolution of the City Council of the City of Beaumont, California, Declaring its Intention to Establish City of Beaumont Community Facilities District No. 2023-1 (Fairway Canyon) and Improvement Areas Therein, to Authorize the Levy of a Special Tax to Pay the Cost of Acquiring or Constructing Certain Public Facilities and Providing Certain Public Services, and Paying for Certain Incidental Expenses and to Pay Debt Service on Bonded Indebtedness" and; Adopt, "Resolution of Intention of the City Council of the City of Beaumont, California, to Incur Bonded Indebtedness within Each of Proposed Improvement Areas Nos. 1 and 2 of Proposed City of Beaumont Community Facilities District No. 2023-1 (Fairway Canyon)."

Attachments:

1. Resolution Declaring the Intention to Establish City of Beaumont CFD 2023-1

2. Resolution Declaring the Intention to Incur Bond Indebtedness within 2023-1
3. Reimbursement Agreement
4. Project Map