



Staff Report

TO: Honorable Mayor and Members of the City Council
FROM: Gustavo J. Romo, Interim City Manager
BY: Lisa Leach, Interim Finance Director
DATE: March 3, 2026
SUBJECT: Levy of Special Tax of CFD No. 2025-S (Public Services)

Description: Second reading of ordinance authorizing the levy of special tax of CFD 2025-S (Public Services).

Background and Analysis:

On December 16, 2025, the City adopted the full resolution establishing the Community Facilities District No. 2025-S (Public Services) and authorizing the special tax levy. The developer, Meritage Homes of California, Inc., a California corporation (the “Developer”), owns property containing 366 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. 2025-S”) 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 services through the levy of a special tax. The District is planned to include approximately 366 residential units. The item includes the associated rate and method of apportionment and the results of the public hearing and property-owner election.

In 2003, the City entered into a Development Agreement (the “Development Agreement”) with LB/L-SunCal Oak Valley, LLC (“SunCal Oak Valley”). The Development Agreement requires the City to, among other things, cooperate with the developer in taking all steps necessary to cause a community facilities district or other alternative financing mechanisms to provide public financing for the construction of public infrastructure improvements on the property subject to the SunCal Development Agreement. The project subject to the Development Agreement was originally called Oak Valley and is now known as Fairway Canyon.

SunCal Oak Valley was a subsidiary of a large land development company known as SunCal and was set up as a single-purpose entity to own and develop the Oak Valley project. Lehman Brothers provided financing to various SunCal subsidiaries for land

development projects throughout California. SunCal Oak Valley received a loan from an affiliated entity of Lehman Brothers which was secured by a deed of trust against the Oak Valley project. Lehman Brothers also owned a 50% share of SunCal Oak Valley's equity.

Following the Lehman Brother's bankruptcy filing in 2008, SunCal Oak Valley entered bankruptcy as an involuntary debtor in California bankruptcy court as Lehman Brothers attempted to recover their investments in various SunCal projects by foreclosing on the various loans. In October 2011, following several years of litigation, Lehman Brothers and SunCal reached a settlement of their litigation pursuant to which, among other things, (1) SunCal would not object to the bankruptcy plan proposed by the bankruptcy trustee and (2) SunCal would have the option to purchase two projects from Lehman Brothers (one of which was the Oak Valley project) at an agreed price.

On January 6, 2012, the California bankruptcy court confirmed the final bankruptcy plan for SunCal Oak Valley and the other SunCal companies. The bankruptcy court's order provides that each of the various SunCal projects (including the Oak Valley project) were to be conveyed to the applicable Lehman Brothers affiliate, including all "right, title and interest in, to and under any development agreements, plans engineering reports, permits and community facilities district bonds." The final order from the bankruptcy court also specifically provided for the assumption of the Development Agreement by SunCal Oak Valley in the bankruptcy case and provided that any precondition to assignment or conveyance of any such contracts was deemed satisfied by the bankruptcy court's order. On March 27, 2012, the bankruptcy court entered a sale order conveying the Oak Valley project to LV Oak Valley Champions LLC pursuant to the final bankruptcy plan.

Pursuant to the settlement agreement between SunCal and Lehman Brothers, it appears SDC Fairway Canyon LLC purchased the Oak Valley (now Fairway Canyon) project from LV Oak Valley Champions LLC. In July 2012, pursuant to Section 20.1 of the SunCal Development Agreement, the City consented to the assignment of the Development Agreement to SDC Fairway Canyon LLC.

The Act also authorizes the City to establish a CFD to finance certain public services through the levy of a special tax. The services that can be funded include the following:

- Police protection services, including, but not limited to, criminal justice (limited to providing services for jails, detention facilities, and juvenile halls).
- Fire protection and suppression services, and ambulance and paramedic services.

- Recreation program services, library services, maintenance services for elementary and secondary school sites and structures, and the operation and maintenance of museums and cultural facilities
- Maintenance and lighting of parks, parkways, streets, roads, and open spaces.
- Flood and storm protection services, including, but not limited to, the operation and maintenance of storm drainage systems, plowing and removal of snow, and sandstorm protection systems.
- Maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the local agency or by another local agency (by agreement).

Services eligible to be financed by CFD No. 2025-S include police protection services (including but not limited to criminal justice services), fire protection and suppression services, and paramedic services.

The Developer has requested that the boundaries of CFD No. 2025-S include the area described in Attachment A of the Resolution of Intention to Establish CFD No. 2025-S adopted by the City Council on November 4, 2025 (the “Resolution of Intention”), and that special taxes be levied within the boundaries of the District in accordance with Rate and Method of Apportionment (the “RMA”) described in Attachments C to the Resolution of Intention. CFD No. 2025-S will also include an area designated as a “Future Annexation Area” which could be annexed into the CFD No. 2025-S in the future, subject to certain requirements.

The Resolution of Intention called for a public hearing to be held on December 16, 2025. The purpose of the public hearing is for the City Council to formally consider the approval of the formation of CFD No. 2025-S and the approval of the levy of the special taxes within CFD No. 2025-S. Notice of the public hearing was published in the Press Enterprise and mailed to the property owners in accordance with the Act.

In connection with the public hearing, Spicer Consulting Group prepared a CFD Public Hearing Report which describes and analyzes the services to be financed by CFD No. 2025-S and the estimated costs of such services. On December 16, 2025 the City Council adopted the Resolution of Formation, which approved the formation of CFD No. 2025-S, the levy of the special taxes the District in accordance with the RMA. The Resolution of Formation called for an election to submit to the qualified voters within CFD No. 2025-S ballot measures on the approval of the special taxes.

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 CFD No. 2025-S. Accordingly, under the Act, only property owners owning land in CFD No. 2025-

S are eligible to vote at the election for CFD No. 2025-S with the owner having one vote for each acre (or portion thereof) that they own within the District. The Property Owner has executed consents and waivers of certain election procedures with respect to the election, including certain timing requirements with respect to the election, in accordance with the Act. On December 15, 2026 the City Council approved the Resolution of Formation, the City Clerk will conducted the election, announced the election results and the City Council adopted the Resolution Certifying the Election Results. The Resolution Certifying the Election Results directs the City Clerk to record a notice of special tax lien on the property within the District and the City Council approved the Ordinance authorizing the levy of the special tax within the District in accordance with the RMA.

Fiscal Impact:

The Developer has made deposits to pay for the costs of the formation proceedings which may be reimbursed to the Developer from proceeds of a future bond issuance by the separate facilities CFD being formed in connection with the Fairway Canyon development. If established and subject to necessary City Council and voter approvals, CFD No. 2025-S will annually levy special taxes on all the taxable property the District in accordance with the RMA (as attached to the Resolution of Intention). The property within the District is proposed to include CFD No. 2025-M and CFD No. 2025-1 and the District is currently included in an overlapping Beaumont Unified School District CFD.

The estimated cost to prepare this report is \$1,500.

Recommended Action:

Approve the second reading by title only, “An Ordinance of the City Council of the City of Beaumont, California Acting in its Capacity as the Legislative Body of City of Beaumont Community Facilities District No. 2025-S (Public Services) Authorizing the Levy of a Special Tax within City of Beaumont Community Facilities District No. 2025-S (Public Services)”.

Attachments:

- A. Resolution Establishing City of Beaumont CFD No. 2025-S
- B. Resolution Certifying Election Results
- C. Ordinance Authorizing the Levy of Special Tax
- D. Certificate of the Registrar of Voters
- E. Public Hearing Report
- F. Property Owner Waiver

G. Presentation

H. Notice of Public Hearing