

**TEMECULA PUBLIC FINANCING AUTHORITY/ CITY COUNCIL
AGENDA REPORT**

TO: Executive Director/Board of Directors
City Manager/City Council Members

FROM: Aaron Adams, Executive Director/City Manager

DATE: January 23, 2024

SUBJECT: Approve and Adopt Resolutions of Intention to Form CFD 23-02 (Prado), Authorize the Levy of Special Taxes on Property in CFD No. 23-02, Incur Bonded Indebtedness for CFD No. 23-02 and Approve Related Documents and Agreements

PREPARED BY: Jennifer Hennessy, Director of Finance/Treasurer

RECOMMENDATION: That the Board of Directors/City Council adopt resolutions entitled:

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DECLARING ITS INTENTION TO ESTABLISH A COMMUNITY FACILITIES DISTRICT AND TO AUTHORIZE THE LEVY OF SPECIAL TAXES THEREIN – PRADO

RESOLUTION NO. TPFA

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DECLARING ITS INTENTION TO INCUR BONDED INDEBTEDNESS OF THE PROPOSED TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING A JOINT COMMUNITY FACILITIES AGREEMENT RELATING TO THE FINANCING OF PUBLIC IMPROVEMENTS AND MUNICIPAL SERVICES, AND IMPLEMENTATION OF AN ACQUISITION AGREEMENT – CFD 23-02 (PRADO)

BACKGROUND: In December of last year, in response to a request by Meritage Homes of California, Inc., a California corporation (the “Developer”), the Temecula Public Financing Authority (the “Authority”) adopted Resolution No. TPFA 2023-12 and the City Council adopted Resolution No. 2023-93, pursuant to which they approved a Deposit/Reimbursement Agreement, subsequently executed by the Authority, the City and the Developer, whereby the Developer agreed to pay the costs of the Authority and the City in connection with the formation of a community facilities district. The Resolution of the Authority also designated various consultants to assist with the formation of the community facilities district.

The Authority has now received a petition (including waivers) (the “Petition”) from the Developer requesting that it move forward with the formation of the community facilities district for the purpose of financing public facilities and to fund the costs of municipal services in connection with the planned Prado development project. The community facilities district is to be designated as the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) (the “CFD”).

The CFD is generally located in the northerly portion of the City of Temecula, east of Interstate 15. The territory to be included within the boundaries of the CFD includes several County Assessor’s parcels identified in the Petition.

Community facilities district financing is a commonly used method of financing infrastructure and services for new development in California. Commonly referred to as “Mello-Roos Financing” this type of land-secured financing permits the local agency to levy special taxes and issue bonds to pay for the public facilities and infrastructure costs and services necessitated by new development. The costs of authorized facilities and services, and debt service on any bonds issued for the CFD is, paid from special taxes levied only on real property within the CFD boundary. The bonds typically are issued on a tax-exempt basis.

The Authority will consider the adoption of two resolutions related to the formation of the proposed CFD. The CFD will only include land owned by the Developer as delineated in the Petition. In the Petition, the Developer has requested that the CFD levy special taxes and issue bonds to provide funds to fund various public improvements identified as the “Facilities” on Exhibit A in the Petition and to finance other costs of issuing the special tax bonds and of providing a reserve fund for the bonds. It is also expected that special taxes will be levied to fund the costs of municipal services identified in Exhibit A of the Petition.

The Authority proposes to use bond proceeds to finance the design, construction and installation of certain public improvements, including related incidental expenses. These facilities will become the property of and will be maintained by the City, Eastern Municipal Water District (EMWD) and Temecula Valley Unified School District (TVUSD), as appropriate. To benefit future residents within CFD, the Authority expects to enter into a Joint Community Facilities Agreement with each of the City, EMWD and TVUSD.

SPECIFIC ACTIONS: In order to initiate the process to form the CFD, the Board of Directors of the Authority will consider adoption of two resolutions of intention relative to the proposed CFD. These resolutions call for a public hearing on February 27, 2024 on the formation of the CFD and the issuance of bonds for the CFD, and otherwise specify the boundaries of the CFD (by reference to a map on file with the City Clerk, as Secretary of the Authority), the rate and method of apportionment of special taxes to be levied solely on land in the CFD to pay for CFD authorized facilities and services and to repay any bonds that may be issued for the CFD, describe the improvements to be financed and the services to be provided by the new CFD, and express the intent to issue up to \$20,000,000 of special tax bonds for the CFD to finance authorized facilities. The resolution of intention to form the CFD also authorizes the Executive Director of the Authority to enter into in joint community facilities agreements with the City (described below) and with the EMWD and TVUSD with respect to facilities to be financed by the CFD but to be owned by EMWD and TVUSD, respectively, approves an Acquisition Agreement between the Authority and the Developer whereby the Authority agrees to use proceeds of special taxes levied on property in the CFD and proceeds of bonds issued for the CFD to pay costs of certain CFD authorized facilities to be constructed by the Developer.

The City Council will consider adoption of resolutions approving Joint Community Facilities Agreement with the Authority whereby it agrees to own and operate certain facilities financed by the CFD, to provide the municipal services to be provided for by the CFD and to assist the Authority to administer the Acquisition Agreement. The Joint Community Facilities Agreement allows for a credit against (or a return of) development impact fees and Quimby Act fees otherwise applicable to the construction of residential units in the Prado Development, from the proceeds of bonds issued for the CFD or special taxes levied on the property in the CFD.

FISCAL IMPACT: The Developer has agreed to pay all expenses relative to the proposed formation of the new CFD and the issuance of bonds for the CFD. Costs of issuance of the proposed bond issue will be paid from the proceeds of the bonds to be issued by the Authority for the CFD. All annual costs of administering the new CFD and the bonds issued for the CFD will be paid from special taxes levied on the properties in the CFD. The bonds, if issued by the Authority for the new CFD, would be payable solely from special taxes levied on land in the new CFD and collected by the Authority. All costs of the City and the Authority to administer the Acquisition Agreement and the Joint Community Facilities Agreement will be paid for with proceeds of special taxes levied on property of the CFD.

- ATTACHMENTS:**
1. TPFPA Resolution – Establish CFD
 2. TPFPA Resolution – Bond Indebtedness
 3. City Council Resolution – Joint Community Facilities Agreement and Acquisition Agreement
 4. Petition
 5. City - Joint Community Facilities Agreement
 6. Acquisition Agreement
 7. EMWD - Joint Community Facilities Agreement
 8. TVUSD - Joint Community Facilities Agreement