

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

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

FROM: Aaron Adams, Authority Executive Director/City Manager

DATE: February 13, 2024

SUBJECT: Adopt Resolutions of Intention to Form CFD 23-01 (Altair), Authorize the Levy of Special Taxes on Property in CFD 23-01 (Altair), Incur Bonded Indebtedness for CFD 23-01 (Altair) and Approve Related Documents and Agreements

PREPARED BY: Jennifer Hennessy, City Director of Finance/Authority Treasurer

RECOMMENDATION: That the Board of Directors and 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 – ALTAIR

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. 23-01 (ALTAIR)

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING JOINT COMMUNITY FACILITIES AGREEMENT RELATING TO THE FINANCING OF PUBLIC IMPROVEMENTS AND IMPLEMENTATION OF AN ACQUISITION AGREEMENT

BACKGROUND: In April of last year, in response to a request by SB Altair, LLC (the

“Developer”), the Temecula Public Financing Authority (the “Authority”) adopted Resolution No. 2023-02 and the City Council adopted Resolution No. 2023-35, 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, designate an improvement area therein and a future annexation area for the community facilities district, all for the purpose of financing public facilities, providing funds for an annual conservation fee, and to fund the costs of certain municipal services in connection with the planned Altair development project. The community facilities district is to be designated as the “Temecula Public Financing Authority Community Facilities District No. 23-01 (Altair)” (the “CFD”). The initial improvement area of the CFD is to be designated “Improvement Area No. 1 of the Temecula Public Financing Authority Community Facilities District No. 23-01 (Altair)” (“Improvement Area No. 1”) and the name for the territory proposed to be annexed into the CFD in the future is “Temecula Public Financing Authority Community Facilities District No. 23-01 (Altair) (Future Annexation Area)” (the “Future Annexation Area”).

The CFD is generally located west of Old Town Temecula. 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 public infrastructure, certain governmental fee obligations, and municipal 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 municipal services necessitated by new development. The costs of authorized facilities, the fee obligations, and municipal services are, 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 annual wildlife conservation fee and the costs of municipal services identified in Exhibit A of the Petition.

The Authority proposes to use bond proceeds to finance costs of certain public improvements, including related incidental expenses. These facilities will become the property of and will be maintained by the City, the Eastern Municipal Water District (EMWD) and the Rancho California Water District (RCWD), as appropriate. To benefit future residents within CFD, the Authority

expects to enter into a Joint Community Facilities Agreement with EMWD and a separate one with the City in connection with the formation of the CFD. The Authority expects to enter into a Joint Community Facilities Agreement with RCWD in the future, prior to any issuance of bonds for the CFD.

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 March 26, 2024 on the formation of the CFD and designation of Improvement Area No. 1 and Future Annexation Area, and the future issuance of bonds for the CFD. These resolutions also 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 Improvement Area No. 1 to pay for CFD authorized facilities, an annual conservation fee required by the Development Agreement for the project, municipal services and to repay any bonds that may be issued for the CFD, describe the improvements to be financed, the conservation fee, and the municipal services to be funded by the new CFD, and express the intent to issue up to \$25,000,000 of special tax bonds for Improvement Area No. 1 and not to exceed \$70,000,000 for the portion of the CFD that is not in Improvement Area No. 1 to finance authorized facilities. For one or more future improvement areas formed to include territory that annexes into the CFD from the Future Annexation Area, a different rate and method of apportionment of special tax may be adopted if the annexed territory is designated as a separate improvement area. Parcels within the Future Annexation Area will be annexed to the CFD only with the unanimous approval of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, without any requirement for further public hearings or additional proceedings by the Board of Directors.

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 EMWD and RCWD with respect to facilities to be financed by the CFD but to be owned by the City, EMWD and RCWD, 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 a resolution 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 funded by the CFD, to collect and administer special taxes levied to pay the annual conservation fee, and to assist the Authority 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 Altair 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 Improvement Area No. 1 and on land annexed to the CFD in the future. 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 in Improvement Area No. 1 and on land annexed to the CFD in the future.

ATTACHMENTS:

1. TPFA Resolution – Intention to Establish
2. TPFA Resolution – Incur Bonded 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. Boundary Map
9. Annexation Map