



Staff Report

File #: 23-0702

REQUEST FOR CITY COUNCIL ACTION

DATE: 09/20/2023

TO: Honorable Mayor and City Council Members

FROM: Finance Department

SUBJECT:

RESOLUTION DECLARING INTENTION TO ANNEX TERRITORY TO COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD), ADOPTING A MAP OF THE AREA PROPOSED TO BE ANNEXED THERETO (ANNEXATION NO. 1), RESOLUTION OF CONSIDERATION OF CHANGE PROCEEDINGS, AND RESOLUTION DECLARING NECESSITY OF CHANGE PROCEEDINGS

EXECUTIVE SUMMARY:

This staff report asks the City Council to adopt a Resolution declaring intention to annex territory to Community Facilities District No. 2018-1 (Bedford) ("CFD" or "CFD No. 2018-1"). Arantine Hills Holdings L.P. ("Owner") is requesting annexation of Assessor's Parcel Numbers 279-240-049 and 282-040-021 into the CFD No. 2018-1 (Bedford). Additionally, adopt a Resolution of consideration of change proceedings and adopt a Resolution declaring necessity of change proceedings.

RECOMMENDED ACTION:

That the City Council:

- a. Adopt Resolution No. 2023-094, declaring intention to annex territory to CFD No. 2018-1 (Bedford) of the City of Corona, and adopting a map of the area proposed to be annexed thereto (Annexation No. 1).
- b. Adopt Resolution No. 2023-097, determining that the public convenience and necessity require the amount of authorized bonded indebtedness of CFD No. 2018-1 (Bedford) to be incurred for Improvement Area No. 3 be increased and that the Rate and Method of Apportionment of Special Tax for Improvement Area No. 3 and Improvement Area No. 4 be revised.
- c. Adopt Resolution No. 2023-098, declaring necessity for CFD No. 2018-1 (Bedford) of the City of Corona to incur bonded indebtedness in an increased amount for Improvement Area No. 3

of the Community Facilities District.

BACKGROUND & HISTORY:

On June 20, 2018, the City Council established the CFD, and designated five improvement areas therein, for the purpose of levying special taxes on parcels of taxable property therein to provide the financing of certain public facilities which are necessary to meet increased demands placed upon the City as a result of the development of said real property. The expectation upon establishment of the CFD was that as development proceeds within each improvement area, bonds secured by payments of special taxes within such corresponding improvement area would be issued to finance certain public improvements supporting the development, including certain public facilities to be owned and operated by the City, and certain storm channel improvements to be owned and operated by the County of Riverside.

In July, 2021, the Owner acquired an additional thirty-one (31) acres of land adjacent to the property. As a result, the Owner is now requesting that the City consider annexation of the Annexed Property to the CFD, a portion of which will be annexed into Improvement Area No. 3 of the CFD and a portion of which will be annexed into Improvement Area No. 4 of the CFD. The Owner has further requested a revision to the Rate and Method of Apportionment of Special Tax for both Improvement Area Nos. 3 and No. 4 of the CFD. Additionally, in order facilitate the expansion of public facilities paid for by proceeds of special tax bonds of the CFD (as described in the resolutions), the Owner has requested the City conduct proceedings to increase the bonded indebtedness of Improvement Area No. 3. The proposed changes to the Rate and Method of Apportionment and supporting documents do not increase special tax rates as established at the time of formation of the CFD in 2018, but rather conform to changes in the development plan since establishment of the CFD, provide for additional bonding capacity related to the addition of taxable property, and update costs for infrastructure needed to serve the additional development.

ANALYSIS:

Community Facilities Districts impose a special tax to provide a portion of the funding necessary to deliver services and/or facilities to newly developed areas pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act"). The special tax is levied on real property within the district and then collected with property taxes.

The City has received petitions from the Owner requesting the annexation of the Annexed Property (the "Annexation") and a request to revise the Rate and Method of Apportionment of Special Tax for Improvement Areas No. 3 and No. 4 of the CFD, and to increase the authorized bonded indebtedness of Improvement Area No. 3 (together, the "Change Proceedings"). The boundaries of the Annexation are shown in the boundary map attached to Resolution No. 2023-094.

To initiate the Annexation, the City required that the Owners submit an application, deposit, and petition to annex into the CFD in accordance with the Act. The City Council is now being asked to consider approval of a resolution of intention to annex territory to the CFD and adopt a boundary map (the "Resolution of Intention"), which is being presented at this meeting. The Resolution of Intention, among other things, commences the Annexation proceedings, adopts the boundary map, and calls for a public hearing to be held on November 1, 2023. If the Resolution of Intention is

adopted, the City must publish a public notice in a local newspaper and mail such public notice to the Owner pertaining to the public hearing.

The Annexation and the levy of the proposed special taxes shall be subject to approval of the qualified electors at a special election, which will be held on the same day as the public hearing upon landowner consent.

To initiate the Change Proceedings, the City required that the Owners submit an application, deposit, and petition to commence the Change Proceedings in accordance with the Act. The City Council is now being asked to consider approval of a consideration (the "Resolution of Consideration") and a resolution determining the necessity to incur bonded indebtedness (the "Resolution Determining Necessity").

The Resolution of Consideration commences the Change Proceedings and enables the City Council to consider modification of the CFD to incorporate the requested changes, including the revision of the Rate and Method of Apportionment of Special Taxes for Improvement Areas No. 3 and No. 4 of the CFD. The Resolution Determining Necessity, among other things, determines the necessity to incur bonded indebtedness for Improvement Area No. 3 in the amount of \$37,000,000 and calls for a public hearing to be held on November 1, 2023. If the Resolution Determining Necessity is adopted, the City must publish a public notice in a local newspaper and mail such public notice to the Owner pertaining to the public hearing.

The increase in bonded indebtedness of Improvement Area No. 3 is subject to approval of the qualified electors at a special election, which will be held on the same day as the public hearing upon landowner consent.

FINANCIAL IMPACT:

There is no fiscal impact on the City's general fund as the costs of the annexation and change proceedings are paid for from proceeds of deposits collected from the Owner. Additionally, the debt service on any special tax bonds is paid solely by special taxes levied on the property within the CFD.

Once the above resolutions are approved, commencing Fiscal Year 2023-24, and for each fiscal year thereafter, the City Council will determine the special tax requirement and will levy the special tax upon each taxable property within Improvement Areas No. 3 and 4 of CFD 2018-1. The City Council will determine the special tax requirement and levy the special tax upon each assessor's parcels within the CFD up to the maximum special tax established by the amended and restated rate and method of apportionment ("RMA").

As determined when CFD 2018-1 was originally formed the special taxes from Tax A will be levied annually to pay for the debt service costs of the bonded indebtedness. Special taxes from Tax B will be used to pay for the cost of services to be provided to the residents within the boundaries of CFD 2018-1 as specified in the attached resolutions, and only to the extent that they are in addition to those provided in the territory of the District before the District was created. The funding will mitigate the impact on the City's General Fund due to the significant increase in service demand when new developments are underway.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely declares the City's intent to annex the Subject Parcel to CFD No. 2018-1 and there is no possibility that adopting this resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: ERMA MONTANO, SENIOR FINANCIAL ANALYST

REVIEWED BY: KIM SITTON, FINANCE DIRECTOR

Attachments:

1. Exhibit 1 - Resolution No. 2023-094
2. Exhibit 2 - Resolution No. 2023-097
3. Exhibit 3 - Resolution No. 2023-098
4. Exhibit 4 - CFD No. 2018-1 Proposed Annexation No. 1 Boundary Map
5. Exhibit 5 - Annexation and Change Proceedings Deposit Agreement
6. Exhibit 6 - First Amendment to Funding and Acquisition Agreement