



Agenda Report

File #: 18-2092

AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION

DATE: 9/19/2018

TO: Honorable Mayor and City Council Members

FROM: Administrative Service Department

SUBJECT:

Public Hearing for City Council consideration to adopt Resolution No. 2018-095 establishing Community Facilities District No. 2018-2 (Sierra Bella) and approving a funding and acquisition agreement, Resolution No. 2018-096 determining necessity, Resolution No. 2018-097 calling election, Resolution No. 2018-098 declaring results of election, and first reading of Ordinance No. 3283 authorizing levy of special taxes.

RECOMMENDED ACTION:

That the City Council:

1. Adopt Resolution No. 2018-095 establishing Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona, County of Riverside, State of California, and the boundaries thereof and approving a Funding and Acquisition Agreement.
2. Adopt Resolution No. 2018-096 determining the necessity for Community Facilities District No. 2018-2 (Sierra Bella) to incur a bonded indebtedness in an aggregate principal amount not to exceed \$20,000,000 for providing public facilities within and for the community facilities district and calling a special election for the community facilities district on a proposition for incurring such bonded indebtedness.
3. Adopt Resolution No. 2018-097 calling a special election and submitting to the voters of Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona propositions regarding the annual levy of special taxes within the community facilities district to pay principal of and interest on bonds thereof and to pay the cost of public facilities, a proposition with respect to the annual levy of special taxes within the community facilities district to the cost of certain services, and establishing an appropriations limit therefor.
4. Adopt Resolution No. 2018-098 declaring the results of the consolidated special elections within Community Facilities District No. 2018-2 (Sierra Bella) on propositions regarding (i) incurring a bonded indebtedness in an amount not to exceed \$20,000,000, (ii) the annual levy of special taxes to pay principal and interest on bonds, (iii) the annual levy of special taxes to pay

costs of certain services, and (iv) establishing an appropriations limit.

5. Introduce by title only and waive full reading for consideration of Ordinance No. 3283, first reading of an ordinance of the City Council of the City of Corona, California, acting as the legislative body of Community Facilities District No. 2018-2 (Sierra Bella), authorizing the levy of special taxes in such community facilities district.

ANALYSIS:

The City was approached by CalAtlantic Group, Inc., a Delaware corporation, (the “Developer”) regarding the formation of a Community Facilities District (the “CFD”) for the purpose of financing the public facilities and services which are necessary to meet increased demands placed upon the City as a result of the proposed development. The proposed development, Sierra Bella Project (the “Project”), consists of 237 single family detached homes divided into two distinct project lines, Sonata and Adagio. The Project is located generally south of Green River Road, beyond Calle Del Oro and west of Paseo Grande.

On August 15, 2018, the City Council adopted Resolution No. 2018-101 and Resolution No. 2018-102. Resolution No. 2018-101 declared the City’s intention to establish Community Facilities District No. 2018-2 (Sierra Bella) (“CFD 2018-2”) of the City of Corona under the provisions of Chapter 2.5 of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982”. Resolution No. 2018-102 declared necessity for CFD 2018-2 to incur a bonded indebtedness. A public hearing on both resolutions was scheduled for September 19, 2018 and public hearing notices were published in the Sentinel.

Resolution No. 2018-095 establishing Community Facilities District No. 2018-2 (Sierra Bella) serves the following purposes:

1. Confirms that a public hearing was held on September 19, 2018 with regard to the formation of CFD 2018-2, and the incurring of bond indebtedness by and for CFD 2018-2, the annual levying of specified special taxes on the taxable property within CFD 2018-2 to pay principal of and interest on bonds to be issued by and for CFD 2018-2 to acquire, construct or finance the public facilities and other obligations, and the annual levying of specified special taxes on such taxable property in CFD No. 2018-2 to pay the costs of the services which are to be provided within and for CFD 2018-2;
2. Describes the territory of the boundaries of CFD 2018-2;
3. Establishes CFD 2018-2;
4. Describes the types of public facilities and services that will be financed with the bond proceeds and special taxes to be levied on taxable property within CFD 2018-2;
5. Describes the rate and method apportionment of the special taxes to be levied on the properties within CFD 2018-2;
6. Describes the voting procedures for the conduct of the consolidated special elections for CFD 2018-2; and
7. Approves a Funding and Acquisition Agreement between the City of Corona and CalAtlantic Group, Inc.

Resolution No. 2018-096 determining necessity to incur bonded indebtedness serves the following purposes:

1. Confirms that a public hearing was conducted on September 19, 2018 within regard to the authorization of CFD 2018-2 to incur a bonded indebtedness;
2. Determines the necessity for CFD 2018-2 to incur a bonded indebtedness in an amount not to exceed \$20,000,000 to be used for payment of debt issuance cost, payment of administrative expenses, and payment of public facilities relating to CFD 2018-2;
3. Determines that all parcels of taxable property within CFD 2018-2 shall be subject to the levy of special taxes to pay the principal of and interest on the principal amount of the bonds of CFD 2018-2 which may be issued and sold; and
4. Calls a special election for September 19, 2018 on the proposition of CFD 2018-2 incurring a bonded indebtedness in an amount not to exceed \$20,000,000 for the purpose of providing public facilities for CFD 2018-2.

Resolution No. 2018-097 calling a special election serves the following purposes:

1. Calls a special election for CFD 2018-2 on the propositions with regard to the annual levy of special taxes on taxable property within CFD 2018-2 for payment of principal of and interest on the bonds of CFD 2018-2, the proposition with respect to the annual levy of special taxes on parcels of taxable property within CFD 2018-2 to pay the costs of certain services to be provided by the District, and the proposition with respect to establishing an appropriations limit for CFD 2018-2;
2. Consolidates the special election called on the propositions of CFD 2018-2 with the proposition of incurring bonded indebtedness;
3. Provides for the conduct of the special election by the City Clerk; and
4. Establishes election procedures for the conduct of the special election.

Resolution No. 2018-098 declaring results of the special election serves the following purposes:

1. Makes certain findings with respect to the conduct of the consolidated special elections;
2. Declares that all votes voted in the consolidated special election were voted in favor of all four propositions;
3. Determines that as a result of the consolidated special elections, CFD 2018-2 is authorized to incur a bonded indebtedness in an amount not to exceed \$20,000,000, to annually levy special taxes on taxable properties within CFD 2018-2 to pay the principal of and interest on the bonds, and costs of services to be provided by the District;
4. Declares that an appropriations limit has been established for CFD 2018-2 in the amount of \$20,000,000; and
5. Authorizes the recording of a Notice of Special Tax Lien on parcels of taxable property within CFD 2018-2.

Ordinance No. 3283 levying special taxes serves the following purposes:

1. Authorizes the levy of special taxes on taxable properties located in CFD 2018-2 pursuant to the Rate and Method of Apportionment for the District;
2. Authorizes the levy of special taxes in future fiscal years by resolution;
3. The City will give first reading to this ordinance; and
4. Second reading and adoption will occur on October 3, 2018.

Should these resolutions and ordinances be approved, the formation proceedings will be completed and CFD 2018-2 will be officially formed.

COMMITTEE ACTION:

Not applicable.

STRATEGIC PLAN:

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions. The recommended action will help achieve these goals by communicating the formation a CFD to facilitate development within the City.

FISCAL IMPACT:

The costs associated with the formation of CFD 2018-2 are paid from a deposit made by the Developer. Ongoing cost for administrating the District's finances will be reimbursed from the special taxes levied annually on property owners.

Once the above resolutions are approved, and the ordinance is adopted, commencing Fiscal Year 2019-20, 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 CFD 2018-2. 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 rate and method of apportionment ("RMA").

On July 1 of each year, commencing in 2019, the City Council will determine the special tax requirement and levy the special tax upon each of the assessor's parcels within the proposed CFD 2018-2 based on their land use category until the aggregate amount of special tax equals the special tax requirement. The special tax will be levied proportionately on all assessor's parcels up to 100% of the application maximum special tax to satisfy the special tax requirement. For residential properties, the maximum total tax burden in the proposed CFD 2018-2 is set at 1.95% of the home price. The estimated ad valorem base tax rate is approximately 1.09%, while the special tax rates, for services and facilities, are about 0.86% of the estimated home prices. The maximum special tax for both Tax B and Tax C shall increase by i) the percentage increased in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County since the beginning of the preceding fiscal year, or ii) by two percent (2%), whichever is greater.

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 2018-2 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 to 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 general rule 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 action is not subject

to CEQA. This action merely adopts the resolutions and ordinance necessary to form CFD 2018-2 and provide the funding for facilities and services that will serve the development, and there is no possibility that adopting the resolutions and ordinance will have a significant effect on the environment.

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