



## **REPORT TO CITY COUNCIL**

**To: Honorable Mayor and Members of the City Council**

**From: Grant Yates, City Manager**

**Prepared By: Jason Simpson, Assistant City Manager**

**Date: March 28, 2017**

**Subject: Resolutions and Ordinance Relating to the Formation of Improvement Areas JJ and KK within City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) and Authorization of Special Taxes and Bonded Indebtedness for Improvement Areas JJ and KK**

### **Recommendation**

adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), ESTABLISHING IMPROVEMENT AREAS JJ AND KK OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), AUTHORIZING THE LEVY OF SPECIAL TAXES, AND CALLING ELECTIONS THEREIN; and,

adopt A RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS WITHIN IMPROVEMENT AREAS JJ AND KK OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY) AND CALLING ELECTIONS THEREIN; and,

adopt A RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), CERTIFYING THE RESULTS OF THE MARCH 14, 2017 SPECIAL TAX AND BOND ELECTIONS; and,

introduce by title only and waive further reading of AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006- 1 (SUMMERLY) AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN EACH OF IMPROVEMENT AREAS JJ AND KK

## **Background**

The City of Lake Elsinore (the “City”) formed the City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (the “District”) in 2006 pursuant to the Mello-Roos Community Facilities District Act of 1982. The District generally encompasses the development within the City known as “Summerly.” McMillin Summerly, LLC, a Delaware limited liability company (the “Developer”) is currently the master developer of the Summerly development. Since the District was formed in 2006, the planned product mix within the various portions of the Summerly has changed. To accommodate such changes in product mix and planned development, the Developer has requested, and the City has undertaken proceedings relating to the reorganization of improvement areas within the District and the tax rates within such improvement areas.

As a result of further changes in the development plan within the Summerly project, the City received a petition from the Developer requesting the current formation proceedings, which if approved, will form Improvement Areas JJ and KK from the property currently within Improvement Areas DD and GG of the District, respectively. The Developer has also requested the approval of a new rate and method of apportionment for each of Improvement Area JJ and KK and the authorization of bonded indebtedness for Improvement Areas JJ and KK (together, the “Formation Proceedings”). The types of facilities and services to be provided by the District within proposed Improvement Areas JJ and KK will be the same as those approved for the District when it was originally formed. Currently, the property owners within Improvement Areas JJ and KK are the Developer and Western Pacific Housing, Inc. The developments within Improvement Areas JJ and KK are expected to include 211 and 133 single family residential units, respectively.

On January 24, 2017, the City Council adopted Resolution Nos. 2017-016 (the “Resolution of Intention”) and 2017-017, which initiated the Formation Proceedings. The Resolution of Intention called for public hearing to be held on March 14, 2017, for the Council to formally consider approval to form Improvement Areas JJ and KK and hold an election on the approval of the special taxes and the need to incur bonded indebtedness to within Improvement Areas JJ and KK. Notice of the public hearing was published in the Press Enterprise and provided to the Developer. On February 28, 2017, the City Council and the Developer agreed to continue the public hearing to March 14, 2017. On March 14, 2017 developer requested (again) to continue the hearing to March 28, 2017.

In connection with the public hearing, Spicer Consulting Group has prepared a CFD Report which describes and analyzes the facilities and services to be financed by the District for Improvement Areas JJ and KK and the estimated costs of such facilities and services. Following the close of the public hearing, the City Council will be asked to adopt the resolutions listed above which approve the formation of Improvement Areas JJ and KK, determine the necessity to issue Bonds in an amount not to exceed \$7,000,000 for Improvement Area JJ and \$5,700,000 for Improvement Area KK, the necessity to levy special taxes annually to pay debt service on such Bonds and for the costs of the facilities and services and calling an election to submit to the qualified voters in the Improvement Areas JJ and KK ballot measures on the approval of the special taxes, the issuance of the bonds and increasing the appropriations limit for the District.

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 either Improvement Area JJ or KK. Accordingly, under the Mello Roos Act only property owners owning land in each of Improvement Area JJ and KK are eligible to vote at the respective election with each owner having one vote for each acre (or portion thereof) that they own within each improvement area. The current landowners have each executed a Consent and Waiver for each of the elections for Improvement Areas JJ and KK as to certain election procedures that allow the election to be held immediately following the adoption of the resolutions calling the elections. Accordingly, assuming the City Council decides to approve such resolutions, the City Clerk will conduct the election and the City Council will be presented with the Resolution Certifying the Election Results. Assuming each of the ballot measures pass by the requisite 2/3rds vote, the Council would be asked to introduce the Ordinance authorizing the levy of the Special Tax. A notice of special tax lien will be filed on all of the property within each of Improvement Areas JJ and KK.

Upon the completion of the Formation Proceedings, Improvement Areas DD and GG of the District will be dissolved and the notices of special tax lien of such improvement areas will be cancelled.

#### **Documents to be Approved**

The attached resolutions forms Improvement Areas JJ and KK and calls elections for the approval of the special taxes, the need to incur bonded indebtedness within Improvement Areas JJ and KK and the increase of the appropriations limit for the District.

#### **Fiscal Impact**

The Developer has made a deposit to pay for the costs of the Formation Proceedings. The Reimbursement Agreement entered into between the City and the Developer provides that the Developer will be reimbursed for such costs if and when bonds are issued for Improvement Areas JJ and KK.

The District will annually levy special taxes on all of the taxable property within proposed Improvement Areas JJ and KK in accordance with the applicable rate and method of apportionment in order to pay for the costs of facilities, debt service on bonds, the services and administration of the District. Any bonds issued by the District are not obligations of the City and will be secured solely by the special taxes levied in Improvement Areas JJ or KK, as applicable.

#### **Exhibits**

- A Resolution
- B Resolution
- C Resolution
- D Ordinance
- E Public Hearing Report