



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: July 10, 2018

SUBJECT: Adoption of Resolution Authorizing the Issuance of its Special Tax Bonds for Community Facilities District No. 2016-2 (Canyon Hills) and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith

Recommendations

adopt 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. 2016-2 (Canyon Hills) Authorizing the Issuance of its Special Tax Bonds, Series 2018 in a Principal Amount Not to Exceed Twenty-Three Million Dollars (\$23,000,000) and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith

Background

Formed in late 2016, Community Facilities District No. 2016-2 (the "District") contains approximately 166 gross acres and is located in the southeastern portion of the City, north of Railroad Canyon Road and to the south of Canyon Lake. The property within the District is being developed by Pardee Homes into a community known as "Westridge," which is planned for five residential neighborhoods. Westridge is the eighth phase of the master-planned community known as "Canyon Hills."

The property within the District is planned for 456 residential units, a commercial site, and community parks and other open space. As of April 15, 2018 (the date of value of the Appraisal), Pardee Homes had completed and conveyed 321 homes to individual homeowners. As of such date, Pardee Homes owned 12 model homes, 44 homes under construction, 79 finished lots and a commercial lot. Between April 15 and June 15, 2018, Pardee Homes conveyed an additional 23 homes to individual homeowners and obtained building permits for all remaining homes to be constructed in the District.

Ownership Status	Total
Developed Property	
Individual Owned	321
Pardee Homes Owned ¹	<u>65</u>
Subtotal Developed	386
Approved Property	
Pardee Homes Owned	<u>71</u>
Subtotal Approved	<u>71</u>
Total Units	<u>457</u>

Note: Reflects ownership status as of March 1, 2018

¹Pardee Homes conveyed an additional 23 homes to individual homeowners between April 15 and June 15, 2018

Pardee Homes expects to complete and convey all remaining homes to be constructed in the District to individual homeowners by March 2019. In addition to facilitating the above development within the District, proceeds from the issuance of the proposed special tax bonds are expected to prepay the portion of the special tax obligation of Improvement Area B of Community Facilities District No. 2003-2 (Canyon Hills) ("Improvement Area B"), a that is levied on property within the District. In all, an estimated \$12 million of the proceeds of the proposed special tax bonds will be used to prepay the special tax obligation of Improvement Area B.

The resolution before City Council authorizes the issuance of special tax bonds and bond documents further described in the following paragraphs.

Discussion

The proposed Special Tax Bonds, Series 2018 (the "2018 Bonds") is estimated to have a par amount of \$19 million with a final maturity of 2048 (30-year financing term). As previously mentioned, proceeds from the 2018 Bonds will be used primarily to further finance development within the District as well as prepay the special tax obligation of Improvement Area B. The final par amount and interest rate structure will be determined when the 2018 Bonds are priced and sold. The pricing date would be targeted for late July, assuming that interest rates are still favorable. The bond closing is expected to occur just a few weeks later.

The table below highlights a few financing statistics based on current market conditions.

Summary of Financing Statistics*	
2018 Bonds	
Par Amount	\$19,165,000
Average Bond Yield	4.50%
Estimated Cost to Home Owners	
FY 2018-19 Assessment**	\$2,105
Average Annual Assessment**	\$2,931

**Preliminary; Subject to Change; Based on Current Market Conditions*

***Annual Assigned Special Tax will increase at approximately 2% per year.*

As required under Section 5852.1 of the California Government Code (Code), below are the good faith estimates as provided by the Municipal Advisor and Underwriter:

- 1) As illustrated above, the true interest cost of the bonds is estimated at 4.50%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- 2) The finance charge of the 2018 Bonds, including underwriter's discount bond insurance, debt service reserve surety, and all other fees and charges paid to third parties, is estimated at \$355,568.
- 3) Proceeds of the 2018 Bonds received by the District for the sale of the 2018 Bonds, including the estimated principal amount of the proposed 2018 Bonds of \$19,165,000 less the finance charges set forth in (2) above is equal to \$19,724,701, which will be available to finance the project.
- 4) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$40,265,208.

The foregoing are estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

Documents to be Approved

Approval of the Resolution, authorizing and directing execution of certain bond documents, authorizing and directing the sale of the proposed 2018 Bonds and authorizing and directing certain actions with respect thereto will authorize the execution of the following documents attached to this staff report.

- ✓ Preliminary Official Statement
- ✓ Bond Indenture
- ✓ Continuing Disclosure Certificate
- ✓ Bond Purchase Agreement

Bond Counsel and the City Attorney have reviewed the attached financing documents on behalf of the District. If this resolution is approved, City staff will continue to work with the financing team to finalize all of the aforementioned documents. As previously mentioned, the pricing date would be targeted for some time in mid-to-late July, assuming that interest rates remain attractive.

Fiscal Impact

There is no cost to the City; however, the property owners are expected to pay approximately \$2,105 per parcel starting in FY 2018-19, increasing at 2% per year through 2048, as illustrated in the table on the previous page. The average assessment over the life of the 2018 Bonds is expected to be approximately \$2,931. However, these figures will ultimately depend upon market conditions at the time of sale.

Recommendation

Adopt a Resolution of the City Council approving the issuance of the 2018 Bonds in the principal amount not-to-exceed \$23 million and the execution and delivery of bond financing documents.

Exhibits:

- A. City Resolution No.2018- _____
- B. Preliminary Official Statement
- C. Bond Indenture
- D. Continuing Disclosure Certificate
- E. Bond Purchase Agreement
- F. Project Map
- G. Appraisal