



# City Council Memorandum

*City of Arts & Innovation*

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**TO: HONORABLE MAYOR AND CITY COUNCIL                      DATE: OCTOBER 27, 2020**

**FROM: FINANCE DEPARTMENT    WARD: 7**

**SUBJECT: RESOLUTIONS DECLARING CITY'S INTENTION TO ESTABLISH PROPOSED COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO), TO AUTHORIZE A LEVY OF SPECIAL TAXES TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS AND FOR CITY TO INCUR BONDED INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED \$7,000,000 WITHIN PROPOSED COMMUNITY FACILITIES DISTRICT**

**ISSUES:**

Adopt a Resolution declaring the City's intention to establish the Proposed Community Facilities District 2015-2 (Pomelo), to authorize a levy of special taxes to pay the costs of acquiring or constructing certain facilities and providing certain services and to pay debt service on bonded indebtedness and adopt a Resolution of intention for the City to incur bonded indebtedness in an amount not to exceed \$7,000,000 within the proposed Community Facilities District and set a public hearing for December 1, 2020 on the matter. Together these actions will initiate the formation proceedings for the City of Riverside Community Facilities District 2015-2 (Pomelo).

**RECOMMENDATIONS:**

That the City Council:

1. Adopt a Resolution declaring the City's intention to establish the Proposed Community Facilities District 2015-2 (Pomelo), to authorize a levy of special taxes to pay the costs of acquiring or constructing certain facilities and providing certain services and to pay debt service on bonded indebtedness;
2. Adopt a Resolution of intention for the City to incur bonded indebtedness in an amount not to exceed \$7,000,000 within the proposed Community Facilities District No. 2015-2 (Pomelo); and
3. Set a public hearing for December 1, 2020, at 1:00 p.m. to vote on the establishment of the proposed Community Facilities District, and if established, to hold a special election to authorize the proposed rate and method of apportionment of the special taxes (A and B) and the proposed issuance of bonds to finance the improvements and incidental expenses.

**BACKGROUND:**

In March 2015, the City was approached by FRA-RSI Arroyo Park, LLC (Landowner) requesting the formation of a Community Facilities District (CFD) for the purpose of financing certain City facilities. On March 3, 2015, City Council considered adopting resolutions of intention to form the proposed CFD 2015-2. At that time, the site was unimproved and required environmental mitigation and permitting. The City Council chose to delay formation until the site had obtained environmental clearance and permits for construction.

The City was approached recently by the landowner Friends of the Airport, LLC, requesting the formation of CFD 2015-2 (Pomelo). The environmental remediation has been completed, the site has been improved and a portion of the homesites have been sold to a Builder (Meritage). The City has received petitions, representing 100 percent of the areas subject to the Special Tax, requesting formation of CFD No. 2015-2 (Pomelo). The project consists of 108 lots within Tract No. 28987, located in Ward 7, Northwest of the Riverside Municipal Airport.

**Preliminary Formation Compliance Table**

| <b>Criteria</b>         | <b>Recommended</b> | <b>CFD 2015-2</b> |
|-------------------------|--------------------|-------------------|
| 1. Number of lots       | At least 150       | 108               |
| 2. Effective tax rate   | NTE 2.0%           | 1.88%             |
| 3. Estimated Par Amount | NTE \$7,000,000    | \$4,290,000       |

**DISCUSSION:**

The proposed CFD No. 2015-2 (Pomelo) is structured to allow properties within the District to be taxed at their assigned rate from the time a parcel is considered developed, commencing in Fiscal Year 2021-22 or as soon thereafter as development occurs. The project is under construction now, with two home models, 26 units under construction and 14 under contract with individual buyers.

The project consists of two tax types. Special Tax A will be assessed to pay debt service on bonds issued to reimburse the Developer for project capital costs. The estimated average Special Tax A rates for CFD No. 2015-2 (Pomelo) range from \$3,087 to \$3,482, with a total average effective tax rate of 1.88 percent based upon the tax rate category. CFD 2015-2 Services Special Tax B will be used to pay for eligible city services including street frontage, slope and sidewalk landscaping, street sweeping, pavement management, storm drain maintenance, catch basin maintenance, graffiti abatement, and other authorized services specified by §53313 of the California Government Code that the City provides to this project area. This tax is estimated to be \$312 per parcel per year, with an annual escalator set to be the greater of the increase in Consumer Price Index (CPI) as measured on each July 1 or 3%.

The proposed Resolution to Incur Bonded Indebtedness within the proposed CFD No. 2015-2 (Pomelo) (Attachment 2) authorizes incurring indebtedness in an amount not to exceed \$7,000,000 to finance capital facilities related to the CFD. The Proposed Resolution of Intention to Establish CFD No. 2015-2 (Pomelo), and to authorize the levy of a Special Taxes to pay services as well as to pay debt service on bonded indebtedness (Attachment 1) sets December 20, 2020 at 3:00 p.m. as the date, time and location for a public hearing. At this hearing, the City Council will vote on the establishment of the proposed CFD. If established, a special election will be held to authorize the proposed rate and method of apportionment of the special taxes and the authorization of bonded indebtedness to finance the improvements and incidental expenses.

**FISCAL IMPACT:**

All costs associated with formation will be paid from a deposit posted by the Landowner with the City. Annually thereafter, costs incurred for staff time to administer the district are reimbursed from the annual levy of special taxes on District property owners. Bonds to be issued by CFD 2015-2 (Pomelo) will be the sole responsibility of CFD 2015-2 (Pomelo), to be paid through a levy of special taxes on all properties within the District. Revenue from the Services Special Tax B are estimated at \$33,000 per year and will be used to offset the additional cost of providing services not covered by general property tax.

Prepared by: Heidi Schrader, Debt and Treasury Manager  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer  
Approved by: Moises Lopez, Deputy City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Resolution of Intention to Establish Proposed CFD 2015-2 (Pomelo)
2. Resolution of Intention to Incur Bonded Indebtedness in an Amount Not to Exceed \$7,000,000
3. Formation Analysis
4. CFD 2015-2 Location Map