



Staff Report

TO: City Council

FROM: Jeff Mohlenkamp, Finance Director

DATE: September 1, 2020

SUBJECT: **A Resolution Authorizing the Issuance of Its 2020 Special Tax Bonds in an Aggregate Principal Amount Not to Exceed \$4,000,000 and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith,” and Authorizing the Execution and Delivery of an Acquisitions Agreement Relating to the City of Beaumont Community Facilities District No. 2019-1 and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith**

Background and Analysis:

The City of Beaumont (“City”) established Community Facilities District No. 2019-1 (“District”) on March 5, 2019, for the purpose of financing various public improvements and services required in connection with the proposed development within the District. At the same time, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds in an amount not-to-exceed \$4,000,000, secured by special taxes levied on property within the District.

The District, comprised of approximately 19 acres of land, is located in the northeastern portion of the City, bounded by Carnation Way to the north and Xenia Avenue to the east.

Pardee Homes (“Developer”) is developing the land within the District into a residential development of 118 planned single-family detached homes within the master planned community known as “Sundance.” The Developer has reported to the City that Sundance is expected to consist of approximately 4,450 residential units on approximately 1,195 acres of land, with 13.5 acres of commercial/industrial land uses and the balance set aside for public/quasi/public uses. The Developer expects the market rate portions of the Sundance community will be completed by June 2021, however, there is an age-restricted development within Sundance that will not be completed until 2025.

As of July 30, 2020, the date of value of the Appraisal Report, of the 118 homes planned within the District, 95 had been completed and conveyed to individual homeowners, 7 had been completed and were owned by the Developer, and the remaining 16 were in various stages of construction. Since July 30, 2020, and as of August 17, 2020, 97 completed homes had been conveyed to individual homeowners and 20 homes were under contract to be sold. Home sales within the District began in 2019 and the Developer anticipates that all remaining units will be transferred to individual homeowners by December 2020.

In early March, the World Health Organization declared COVID-19 a global pandemic. A state of emergency was declared in the United States, in the State of California ("State"), and in the County of Riverside. As a result, the State issued a shelter-in-place order or similar mandates for individuals not engaged in essential activities to remain at home. In the County of Riverside, residential homebuilding has been considered an essential activity, which has allowed the Developer to continue operations in the City.

While development progress in the District is subject to delays caused by COVID-19, the Developer has not experienced any material increases in costs, delays in home construction resulting from decisions to reduce financing for the project, work stoppages, reduced attendance of workers, lack of or delays in the delivery of building materials or the ability to obtain necessary inspections and approvals attributable to the COVID-19 pandemic. The Developer's sales offices and model home tours were open by appointment only for several weeks in March 2020; however, beginning in May 2020, the Developer's sales offices and model homes were open to both walk-in visitors and visitors with sales appointments during normal business hours. In each case, visiting groups are limited to one per model home.

There are two resolutions for consideration by the City Council this evening:

- Acting as the legislative body of the District, Resolution Authorizing the Issuance of the 2020 Bonds and Approving Certain Documents and Taking Other Actions in Connection Therewith, and
- Acting as the City Council, Resolution Authorizing the Execution and Delivery of the Acquisition Agreement for the District.

Discussion of the Proposed Bond Issuance

Based on market conditions as of August 21, 2020, the proposed Special Tax Bonds, Series 2020 ("2020 Bonds") are expected to be issued in a par amount of approximately \$2,170,000. The final maturity will be 2050. Proceeds from the 2020 Bonds will be primarily used to reimburse the Developer for the cost of facilities completed within the

District. A description of such facilities, which include but are not limited to street and road improvements and storm and sewer drain improvements, is provided in the Preliminary Official Statement (“POS”).

Assuming City Council approve both resolutions this evening, the 2020 Bonds are expected to price the second or third week of September and close shortly thereafter. Provided in the table below are a few estimated financing statistics related to the 2020 Bonds, as well as the projected special tax levy on homes within the District.

Select Financing and Levy Statistics	
Par Amount	\$2,170,000
True Interest Rate	3.57%
Average Annual Payments	\$125,457
Total Payments	\$3,753,608
Average Projected Levy Per Parcel FYs 2021-50*	\$1,317

Based on Market Conditions as of August 21, 2020

**Projected Special Tax Levy Divided by Number of
Developed Parcels (118)*

As illustrated above, the average projected levy per parcel for Fiscal Years 2021-50 is \$1,317. Such special taxes will not escalate.

As previously mentioned, the resolution authorizes the issuance of the 2020 Bonds and approves forms of the POS, the Indenture, the Bond Purchase Agreement, the Continuing Disclosure Agreement and the Acquisition Agreement and approves the preparation of the appraisal.

As required under Section 5852.1 of the California Government Code, good faith estimates have been provided to the City by Urban Futures, Inc., the Municipal Advisor in consultation with Stifel, Nicolaus & Company, Incorporated, as underwriter of the 2020 Bonds as Attachment A.

Approval of an Acquisition Agreement related to CFD 2019-1 and the issuance of 2020 Special Tax Bonds

In anticipation of the District’s issuance of its 2020 Special Tax Bonds (the “Bonds”), the City, the District and Pardee Homes (“Pardee”), the developer within the District, desire to enter into an Acquisition Agreement pursuant to which Pardee will be reimbursed for

the costs relating to the design and construction of certain capital improvements from the special tax proceeds and the bonds. As part of this agenda item, the City Council is being asked to consider the approval of the acquisition agreement with Pardee.

Fiscal Impact:

The 2020 Bonds are paid from special taxes levied in the District. There is no fiscal impact to the City's General Fund. The City will, however, be required to provide administration for the District, which will be funded as part of the annual special tax levy.

As previously mentioned, the average projected levy per parcel for Fiscal Years 2021-50 is \$1,317. Such special taxes will not escalate.

These figures are preliminary and subject to prevailing market conditions at the time of sale.

Further, the acquisition agreement, if approved, would allow the reimbursement to Pardee for projects it has completed in the City. There is no impact on the finances of the City from this contemplated agreement.

Recommended Action:

Waive the full reading and adopt by title only, "A Resolution of the City Council of the City of Beaumont, Acting as the Legislative Body of the City of Beaumont Community Facilities District No. 2019-1, Authorizing the Issuance of Its 2020 Special Tax Bonds in an Aggregate Principal Amount Not to Exceed \$4,000,000 and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith," and

Waive the full reading and adopt by title only, "A Resolution of the City Council of the City of Beaumont Authorizing the Execution and Delivery of an Acquisitions Agreement Relating to the City of Beaumont Community Facilities District No. 2019-1 and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith."

Attachments:

- A. Good Faith Estimates
- B. Resolution Authorizing the Issuance of 2020 Bonds
- C. Resolution by the City Council approving the Acquisition Agreement in connection with CFD 2019-1
- D. Bond Indenture

- E. Bond Purchase Agreement (including Continuing Disclosure)
- F. Preliminary Official Statement
- G. Acquisition Agreement
- H. Appraisal