



Staff Report

TO: Mayor, and City Council Members
FROM: Jeff Mohlenkamp, Finance Director
DATE: May 19, 2020
SUBJECT: **Approval of Resolution authorizing the issuance of 2020 Special Tax Bonds in Conjunction with Community Facilities District 93-1 Improvement Area 8F**

Background and Analysis:

In 1993, the City of Beaumont ("City") formed Community Facilities District No. 93-1 ("District") and established 13 original improvement areas. Over the years, the City has designated and annexed additional improvement areas in the District, including Improvement Area 8F ("Improvement Area") on May 9, 2015. At the same time, an election was held within the Improvement Area at which the landowners eligible to vote approved the issuance of bonds in an amount not-to-exceed \$25,000,000.

While the District encompasses the majority of the City, the Improvement Area is more specifically located in the northeastern portion of the City, bounded by Brookside Avenue to the north, Orchard Heights Avenue to the east, Alpine Avenue to the south and Lundy Lane to the west.

Pardee Homes ("Developer") is developing the land within the Improvement Area into a residential development of 294 planned single-family detached homes within the master planned community known as "Sundance." The Developer has reported to the City that at buildout 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 Sundance community will be nearly built out by June 2021; with the exception of an age-restricted section that will not be completed until 2025.

Pursuant to the property appraisal report dated April 1, 2020, of the 294 single-family lots mapped within the Improvement Area, 224 had been completed and conveyed to individual homeowners, 13 had been completed and were owned by the Developer, 20 were in various stages of construction, and 37 were in finished lot condition. Between April 1, 2020, and May 5, 2020, an additional 4 homes were placed under contract to be

sold to individual homeowners. Home sales within the Improvement Area began in 2017 and the Developer anticipates that all remaining units will be transferred to individual homeowners by June 30, 2021.

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 Improvement Area 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 remain open and model home tours are by appointment during morning hours while walk-ins are permitted during the afternoon. In each case, visiting groups are limited to one per model home.

In its capacity as the legislative body of the District, there is one resolution for the City Council’s consideration this evening:

Resolution Authorizing the Issuance of the 2020 Bonds and Approving Certain Documents and Taking Other Actions in Connection Therewith.

Discussion

The proposed Special Tax Bonds, Series 2020 (“2020 Bonds”) are expected to be issued in a par amount of approximately \$13,260,000 with a final maturity of 2050. Proceeds from the 2020 Bonds will be primarily used to reimburse the Developer for the cost of facilities completed for the benefit of the Improvement Area. A description of such fees and facilities, which include but are not limited to street and road improvements and development impact fees, is provided in the preliminary official statement (“POS”).

Assuming City Council approves the resolution, the 2020 Bonds are expected to price the first week of June and close shortly thereafter. Provided in the table below are a few estimated financing statistics related to the 2020 Bonds, based on current market conditions, as well as the projected special tax levy on homes within the Improvement Area.

Select Financing and Levy Statistics

Par Amount	\$13,260,000
True Interest Rate	4.19%
Average Annual Payments	\$784,300
Total Payments	\$24,313,292
FY 2020-2021 Projected Levy Per Parcel	\$2,109.18
Average Projected Levy Per Parcel FYs 2021-50*	\$2,883.42

Based on Current Market Conditions as of May 8, 2020.

**Projected Special Tax Levy Divided by Number of Developed Parcels (294).*

The average assigned rate for developed property within the Improvement Area is \$2,259.14 per parcel. As illustrated above, the Fiscal Year 2020-21 estimated applied special tax levy on developed parcels within the Improvement Area is \$2,109.18, providing a savings on average of \$149.86 per parcel, based on current market conditions. Such special taxes will increase at 2.0% per year pursuant to an existing agreement with the Developer. Based on current market conditions, the average projected special tax levy per developed parcel from Fiscal Years 2021-2050, which includes the 2% escalator, is estimated to be \$2,883.42.

The outbreak of COVID-19 and the resulting shelter-in-place and similar mandates have had a significant impact on the global economy. At the beginning of March, the financial markets experienced significant volatility, with the municipal bond market being no exception. Although a semblance of normalcy has since returned to the markets with several comparable transactions successfully pricing, interest rates are still very sensitive and will be subject to market conditions closer to the time of sale. The underwriter and municipal advisor will continue to keep staff apprised of market conditions and the impact, if any, on the financing economics.

As previously mentioned, the resolution before the City Council, acting as the legislative body of the District, 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.

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 is funded as part of the annual special tax levy.

As previously mentioned, the Fiscal Year 2020-21 estimated special tax levy on parcels of developed property within the Improvement Area is \$2,109.18, based on current market conditions. Such special taxes will increase at 2.0% per year pursuant to an existing agreement with the Developer. Based on current market conditions, the average projected levy per developed parcel from Fiscal Years 2021-2050 is \$2,883.42.

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

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. 93-1, Authorizing the Issuance of Its (Improvement Area No. 8F) 2020 Special Tax Bonds in an Aggregate Principal Amount Not to Exceed \$15,000,000 and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith."

Attachments:

- A. Appraisal
- B. Resolution Authorizing the Issuance of Bonds
- C. Bond Indenture
- D. Bond Purchase Agreement
- E. Preliminary Official Statement – including the Continuing Disclosure Agreement
- F. Acquisition Agreement