

**RESOLUTION NO. 2024-52**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COACHELLA  
ADOPTING A STATEMENT OF GOALS AND POLICIES FOR THE USE OF THE  
MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982**

WHEREAS, the City Council of the City of Coachella proposes to undertake proceedings pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), to form a community facilities district; and

WHEREAS, Section 53312.7(a) of the California Government Code provides that a local agency may initiate proceedings to establish a community facilities district pursuant to the Act only if it has first considered and adopted local goals and policies concerning the use of the Act; and

WHEREAS, attached hereto as Attachment A is a compilation of such goals and policies (the "Goals and Policies") in accordance with the requirements of Government Code Section 53312.7(a); and

WHEREAS, this City Council desires to adopt the Goals and Policies as the City's local goals and policies concerning the use of the Act;

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF COACHELLA AS FOLLOWS:

1. The City Council hereby adopts the Goals and Policies as the City's local goals and policies concerning the use of the Act.
2. The City Manager is hereby authorized and directed to take any actions and do any things which the City Manager may deem necessary or desirable in order to accomplish the purposes of this Resolution and all such actions previously undertaken by the City Manager are hereby ratified.
3. Effective Date. This resolution shall take effect upon its adoption.

**PASSED, APPROVED and ADOPTED** this 11th day of September, 2024 by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Steven Hernandez, Mayor  
City of Coachella

ATTEST:

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Angela M. Zepeda, City Clerk  
City of Coachella

I hereby certify that the foregoing is a true and correct copy of a resolution, being Resolution No. 2024-52, duly passed and adopted at a meeting of the City Council of the City of Coachella, California, held on September 11, 2024.

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Angela M. Zepeda, City Clerk  
City of Coachella

APPROVED AS TO FORM:

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Carlos L. Campos, City Attorney  
City of Coachella

## **ATTACHMENT A**

### **CITY OF COACHELLA STATEMENT OF GOALS AND POLICIES CONCERNING USE OF THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982**

#### **I. INTRODUCTION**

Section 53312.7(a) of the California Government Code requires that pursuant to the Mello-Roos Community Facilities Act of 1982 (the “Act”) the City of Coachella (the “City”) consider and adopt local goals and policies concerning the use of the Act prior to the initiation of proceedings to establish a new community facilities district (“CFD”) under the Act. The following goals and policies are intended to meet the minimum requirements of the Act, and may be amended or supplemented by the City Council of the City (the “City Council”) at any time.

The City will consider developer-initiated applications requesting the formation of a CFD pursuant to the Act and the issuance of bonds to finance the construction and/or acquisition of eligible public facilities. At the City’s discretion, and depending upon existing circumstances, in addition to the issuance of bonds to fund eligible public facilities, eligible community services may also be financed on an on-going basis through the levy of special taxes.

The City has adopted this document to set forth its goals and policies for the use of the Act pursuant to Section 53312.7 of the Act. In each and every circumstance, the decision as to whether or not the City will make use of the Act is a decision that will be made solely by the City. Nothing contained herein shall be construed as obligating the City to make use of the Act in any circumstance or as granting to any person any right to have the City make use of the Act in any circumstance.

#### **II. GOALS**

The City shall make the determination as to whether a proposed district shall proceed under the provisions of the Act. In selecting services and facilities to be financed, the City may finance any services or facilities permitted to be financed under the Act.

#### **III. ELIGIBLE PUBLIC FACILITIES AND SERVICES**

Generally, the improvements eligible to be financed by a CFD must have a useful life of at least five (5) years and must be owned by the City or another public agency. Subject to Section II hereof, the list of eligible public facilities include, but are not limited to, the types of facilities specified in Government Code section 53313.5, as it currently exists or may hereafter be amended. The funding of public facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the City, or the proposed facilities are otherwise consistent with approved land use plans for the property, the City may consider entering into a joint

community facilities agreement or joint exercise of powers agreement in order to finance these facilities.

The City will consider on a case-by-case basis CFDs established for the provision of services eligible to be funded under the Act, including services to be provided by other public agencies. Eligible services are as specified in the Act, as it currently exists or may hereafter be amended.

#### IV. PRIORITIES FOR CFD FINANCING UNDER THE ACT

Priority for CFD financing shall be given to public facilities which: (a) are necessary for economic development, or (b) are otherwise incident to an economic development project. If appropriate, the City shall prepare a public facilities financing plan as a part of the specific plan or other land use document that identifies the public facilities required to serve a project, and the type of financing to be utilized for each facility. The eligibility of a facility for financing and the priority for the financing of facilities will be determined at the sole discretion of the City.

In general, none of the services authorized to be provided under the Act shall have priority over the others. The eligibility of a service for financing and the priority for the financing of services will be determined at the sole discretion of the City.

#### V. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES

It is the policy of the City to comply with all provisions of the Act including, but not limited to, Section 53345.8, as such Section may be amended from time to time. It is the goal of the City to conform, as nearly as practicable, to the California Debt and Investment Advisory Commission's Appraisal Standards for Land-Secured Financings, as such standards may be amended from time to time, provided, however, that this City Council may additionally amend such standards from time to time as it deems necessary and reasonable, in its own discretion, to provide needed public improvements within the City, while still accomplishing the goals set forth herein.

Unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act, the district property value-to-lien ratio shall be at least three to one after calculating the value of the public facilities to be financed and considering any prior or pending special taxes or assessment liens. The City may require a higher value-to-lien ratio in its discretion, in consideration of current market and related conditions.

Property value may be based on either an appraisal or on assessed values as indicated on the County assessor's tax roll. The appraisal shall be based on standards promulgated by the State of California and otherwise determined applicable by City staff and consultants. The appraisal must be dated within three months of the date the bonds are issued.

Less than a three to one value to lien ratio (as described above), excessive tax delinquencies, a substantial amount of vacant land, or other factors may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any security required to be provided by the applicant may be discharged by the City upon the opinion of a qualified

appraiser, retained by the City, that a value-to-lien ratio of three to one has been attained per land use category, including any overlapping special assessment or special tax liens.

As an alternative to providing other security, the applicant may request that a portion of the bond proceeds be placed in escrow with a corporate agent in an amount sufficient to assure a value-to-lien ratio of at least three to one on the outstanding proceeds. The use of an escrow bond structure shall be in the sole discretion of the City.

The City may, at its option, require a financial feasibility report prior to the formation of the CFD if fifty percent or more of the land within the CFD is substantially undeveloped. The report shall be prepared by or at the direction of the City. All costs for preparing the report shall be borne by the applicant/developer. An estimate of the report cost shall be made prior to initiating the study and the applicant/developer shall deposit the cost prior to starting the report.

For new development, prior to the issuance of bonds, the applicant/developer must submit a financial plan which demonstrates to the City's satisfaction the applicant/developer's ability to pay all special taxes through build out of the project.

## VI. DISCLOSURE REQUIREMENTS FOR PROSPECTIVE PROPERTY PURCHASERS

- A. Disclosure Requirements for Developers. Developers who are selling lots or parcels that are within a CFD shall provide disclosure notice to prospective purchasers that comply with all of the requirements set forth in Section 53341.5 of the Government Code, as it now exists or may hereafter be amended. The disclosure notice must be provided to prospective purchasers of property at or prior to the time the contract or deposit receipt for the purchase of property is executed. Developers shall keep an executed copy of each disclosure document as evidence that disclosure has been provided to all purchasers of property within a CFD.
- B. Disclosure Requirements for the Resale of Lots. Pursuant to Section 53340.2 of the Act, the City Finance Department shall provide a notice of special taxes to sellers of property (other than developers), which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. The City shall provide this notice within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

## VII. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

The special tax formula shall be reasonable and equitable in allocating cost of public facilities and services to parcels within the CFD. Exemptions from the special tax may be given to parcels, which include but are not limited to, parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

The maximum annual special tax, together with ad valorem property taxes, special assessments and special taxes for an overlapping financing district, including such potential taxes and

assessments relating to authorized but unissued debt of public entities other than the City and any other governmental taxes, fees, and charges secured by the property (collectively, the “Overlapping Debt Burden”), in relation to the expected assessed value of each parcel upon completion of the private improvements to the parcel is of great importance to the City in evaluating the proposed financing.

For residential parcels, the Overlapping Debt Burden shall not exceed two percent (2.0%) of the projected assessed value of each improved parcel within the district. As it pertains to commercial, industrial, or other parcels within the district, the City reserves the right to exceed the two percent (2.0%) limit if, in the City’s sole discretion, it is fiscally prudent. The City, in its sole discretion, may allow an annual escalation factor on parcels within a district.

In the event that a CFD issues debt, the special tax formulas shall provide for minimum special tax levels which satisfy the following: (a) 110 percent debt service coverage for all CFD bonded indebtedness (or such lower percentage determined by City’s financial advisor and underwriter to be fiscally prudent), (b) the reasonable and necessary annual administrative expenses of the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of services, (f) the cost of acquisition, construction, furnishing or equipping of facilities, (g) lease payments for existing or future facilities, (h) costs associated with the release of funds from an escrow account, and (i) any other costs or payments permitted by law. In structuring the special tax, projected annual interest earnings on bond reserve funds may not be included as revenue for purposes of the calculation.

The rate and method of apportionment of the special tax shall include a provision for a backup tax to protect against any changes in development that would result in insufficient special tax revenues to meet the debt service requirements of the district. Such backup tax shall be structured in such a manner that it shall not violate any provisions of the Act regarding cross-collateralization limitations for residential properties.

The City may retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, City administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

## VIII. APPRAISALS

Pursuant to the Act, property value may be based either on an appraisal or on full cash value as indicated on the County Assessor’s tax roll. The definitions, standards and assumptions to be used for appraisals shall be determined by City on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California, including the Appraisal Standards for Land-Secured Financings prepared by

the California Debt and Investment Advisory Commission. In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent Member Appraisal Institute (“M.A.I.”) appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of the City. All costs associated with the preparation of the appraisal report shall be paid by the entity requesting the establishment of the CFD through the advance deposit mechanism.

#### IX. CFD COST DEPOSITS AND REIMBURSEMENTS; APPLICATIONS

For applicant initiated CFDs the City shall not incur any non-reimbursable expenses for processing and administering CFDs. All City and consultant costs incurred in the evaluation of CFD applications and the establishment of CFDs will be paid by the entity requesting the establishment of the CFD by advance deposit which shall be in an amount not less than \$15,000.00 for application processing and other preliminary costs. The City shall determine the actual amount of the initial advance deposit. If additional funds are needed to off-set costs and expenses incurred by the City, the City shall make written demand upon the applicant for such funds. If the applicant fails to make any deposit of additional funds for the proceedings, the City may suspend all proceedings until receipt of such additional deposit. Expenses not chargeable to the CFD shall be directly borne by the applicant. An applicant shall not be entitled to reimbursement from bond proceeds, if any, for any of the following:

- Administrative or overhead expenses, financial consultant or legal fees incurred by an applicant for the formation of a special district (this limitation does not apply to amounts advanced by the applicant to the City).
- Land-use planning and subdivision costs and environmental review costs related to such land use planning and subdivision.
- Environmental impact studies unless off-site and directly related to the project.
- Construction loan interest.
- Costs, including but not limited to, land acquisition costs incurred prior to entering into a reimbursement or acquisition agreement or the adoption of a resolution of intention to form the district.
- Attorney’s fees related to the land use entitlement or subdivision process unless off-site and directly related to the project.
- On-site right-of-way and easements.
- Other overhead expenses incurred by the applicant/developer.

In the event a CFD is not formed due to City disapproval or abandonment, or due to applicant abandonment, or the CFD is formed and bonds are not issued for any reason or the expenditure of the special tax for ongoing City services is not authorized, the City will refund to applicant/developer any remaining unexpended and unobligated portion of advance deposits posted with the City, subject to the City’s prior and full reimbursement of all its direct and indirect costs. If the applicant/developer’s advance deposit to the City is not sufficient to reimburse the City for all of its direct and indirect costs, the City will require payment of the balance due by the applicant/developer for the difference. The City shall not accrue or pay any interest on any portion of the deposit refunded to the applicant or the costs and expenses reimbursed to the applicant. Neither the City nor the CFD shall be required to reimburse the applicant or property owner from any funds other than the proceeds of bonds issued by the CFD. Unless otherwise agreed to by the City, the City shall be entitled to pay any refund to the applicant/developer listed on the application form, irrespective of any changes in the ownership or composition of the applicant/developer.

In the event a district is formed for City services only, the applicant/developer shall be obligated to pay all expenses incurred by the City for the formation of the district. If a “service” district is not formed for any reason, the applicant/developer shall be entitled to any unused portion of the advance deposit.

#### X. APPLICATION PROCESS

The application form for a proposed CFD may be obtained from the City Clerk of the City. Completed applications shall be returned to the City Clerk and must be accompanied by a deposit in the amount determined by the City. A review committee, consisting of such City staff and consultants as determined by the City, will review the application for compliance with these goals and policies and will make a recommendation to the City Council as to whether or not to proceed with the proposed CFD.

The Council will either approve or deny the application. If approval is granted, the Council shall direct the City Manager to engage additional consultants, negotiate necessary contracts, and collect additional developer deposits, as necessary. The City Manager and City’s financing team shall submit all necessary documents and reports needed for the Council to either terminate proceedings or take action to form the CFD, call the election and issue bonds.

#### XI. RESPONSIBLE DEPARTMENT

The City’s Department of Finance, which is located at 53990 Enterprise Way, Coachella, CA 92236 (the “Finance Department”), is designated as the department of the City responsible for: (i) preparing the annual roll of special tax obligations with respect to any CFD; (ii) providing information to interested persons regarding the current and estimated future tax liability of owners or purchasers of real property subject to the special tax lien; and (iii) furnishing notices of special tax as required by applicable law.

Subject to the policies of the City, and as permitted by applicable law, the Finance Department may obtain the assistance of a qualified consultant to perform any of the duties set forth above, and to charge the cost of such consultant to the administrative costs of the CFD.

#### XII. USE OF CONSULTANTS

The City shall select all consultants as it deems necessary for the formation of the CFD or the issuance of bonds, including the underwriter(s), bond counsel, financial advisor, appraiser, absorption consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

An applicant/developer may retain its own consultants for its own benefit, but will work through those consultants hired by the City. If the developer/applicant retains its own consultants, all costs associated therewith shall be borne by the developer/applicant, without reimbursement from bond proceeds unless otherwise agreed to by the City.

#### XIII. TRANSPARENCY AND NOTIFICATION



The City will take the following steps to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under applicable laws:

1. Conduct all proceedings in the manner required by the Ralph M. Brown Act (Section 54950 and following of the California Government Code);
2. Cause a map of the boundaries of any proposed district to be recorded, pursuant to Section 3111 of the California Streets and Highways Code, in the Office of the Riverside County Recorder within 15 days following the adoption of a resolution of intention to form that District, pursuant to Section 53321 of the Act;
3. It will give notice, pursuant to applicable laws, prior to holding any public hearing on the establishment of a district;
4. It will record a notice of special tax lien, in the form specified by Section 3114.5 of the California Streets and Highways Code, within 15 days of the City Council's determination that the requisite number of voters are in favor of the levy of a special tax in connection with a district. Such notice will include, among other information:
  - i. A description of the rate, method of apportionment, and manner of collection of the authorized special tax;
  - ii. Information about the conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled;
  - iii. The name(s) of the owner(s) and the assessor's tax parcel number(s) of the real property included within the community facilities district and not exempt from the special tax; and
  - iv. The name, address and telephone number of the Finance Department, so that the Finance Department may be contacted to obtain further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to the special tax lien.
5. It will, through the Finance Department, furnish a notice of special tax, in the form required by law to any individual requesting the notice or any owner of property subject to a special tax levied by the City within five working days of a request for such notice. The City may charge a reasonable fee for this service, not to exceed \$10.00.

#### XIV. EXCEPTIONS TO THESE POLICIES

The City may, in its discretion and to the extent permitted by law, waive any of the policies set forth herein in particular cases.

#### XV. MODIFICATION OF THESE POLICIES

The City Council reserves the right to modify or amend these Goals and Policies at any time and from time to time by resolution.

Certification

I, Angela M. Zepeda, City Clerk of the City of Coachella, certify that this is a true and correct copy of the Goals and Policies for Mello-Roos Community Facilities District financings adopted on September 11, 2024 by Resolution No. 2024-\_\_ of the City Council of the City of Coachella.

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Angela M. Zepeda, City Clerk

Date:\_\_\_\_\_