



STAFF REPORT

December 7, 2022
File Number 0850-20

SUBJECT

ANNEXING TERRITORY TO COMMUNITY FACILITIES DISTRICT (CFD) 2022-1 (ECLIPSE AND MOUNTAIN HOUSE) AND CITYWIDE SERVICES CFD 2020-1

DEPARTMENT

Development Services, Engineering Services

RECOMMENDATION

Request that the City Council adopt Resolution No. 2022-182 annexing territory of 32 residential units as Annexation No. 1 to Zone A of Community Facilities District ("CFD") 2022-1 (Eclipse and Mountain House), and Resolution No. 2022-183 annexing territory of 32 residential dwelling units as Zone 2020-7 of the Citywide Services CFD 2020-1.

Staff Recommendation: Approval (Andrew Firestine, Development Services Director and Julie Procopio, City Engineer)

Presenter: Julie Procopio, City Engineer

FISCAL ANALYSIS

Formation and annexation costs associated with CFD 2022-1 (Eclipse and Mountain House) are paid for by the Developer in accordance with the Reimbursement Agreement approved by the City Council on May 12, 2021 by Resolution No. 2021-56 and the First Amendment adopted on August 25, 2021 by Resolution No. 2021-115.

PREVIOUS ACTION

On March 16, 2022, the City Council introduced the second reading and adopted Ordinance No. 2022-03, authorizing the levy of special taxes.

On March 2, 2022, the City Council held a public hearing and introduced the first reading of Ordinance No. 2022-03, authorizing the levy of special taxes. City Council approved Resolution No. 2022-10 establishing Community Facilities District ("CFD") 2022-1 consisting of 117 residential dwelling units and future annexation area of 32 residential dwelling units, and Resolution No. 2022-11 determining the necessity to incur bonded indebtedness for the Eclipse and Mountain House Projects. Further recommendations included the adoption of Resolution No. 2022-12 certifying election results, and



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Resolution No. 2022-14 annexing 117 residential dwelling units as Zone 2020-7 of the Citywide Services CFD 2020-1.

On January 26, 2021, the City Council approved Resolution No. 2022-02 declaring its intent to establish CFD 2022-1 to fund public facilities related costs for the Eclipse and Mountain House Projects (“Projects”), approving a Funding Agreement and setting a public hearing date of March 2, 2022. Resolution No. 2022-08 was also adopted declaring intent to incur bond indebtedness.

On May 26, 2021, the City Council approved the first Final Map for the Eclipse Project, formerly known as Del Prado, Tract SUB15-0022. On May 11, 2016, the City Council approved two (2) Tentative Maps, SUB15-022 and SUB15-0023, approving the entitlements for the Del Prado project.

On December 14, 2005, the City Council approved a Final Map for the Mountain House Project formerly known as Highpoint, Tract 683-J. The development stalled during the recession. Three (3) lots were subsequently sold and are not a part of this request.

BACKGROUND

CWC Escondido 113 LLC (Developer), an affiliated entity of CALWest, together herein referred to as CALWest submitted a petition to request that the City Council establish a Facilities CFD and issue bonds in an amount not to exceed \$6-million to fund public facilities associated with the Eclipse and Mountain House Projects. The Facilities CFD was formed by action taken by the City Council on March 2, 2022. Because at the time of formation CALWest did not own a portion of the Eclipse development, CALWest asked that this land be identified as a future annexation area to Zone A of CFD 2022-1. CALWest now owns this land and is requesting its annexation into the Facilities CFD created for the project. In consideration of the benefit bond financing provides to the project and the long-term administration of the Facilities CFD that the City will provide, CAL West has offered and completed annexation of the Eclipse and Mountain House projects to the Services CFD. CALWest now requests annexation of the balance of the Eclipse project into the Services CFD.

COMPLIANCE WITH CITY CFD POLICY

The special tax rates established at the time of the formation of CFD 2022-1 were reevaluated and found to meet all provisions of the City’s Amended and Restated Goals and Policies for Community Facilities Districts (“Policy”), adopted March 25, 2020. In November of 2022, the Developer provided recent sales pricing for the units proposed to be annexed.



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Shown below is a sample of the established special tax rates per dwelling unit for the proposed annexation into Zone A of CFD 2022-1 and the resulting estimated total tax burden for FY 2022-23 for Zone A, Eclipse:

Zone	Home Size	Base Sales Price	Facilities CFD/Yr.	Facilities CFD %	Services CFD/Yr.	Services CFD %	Total Tax Burden
A	1,140 square feet	\$601,900	\$2,249.20	0.37%	\$778.01	0.13%	1.66%
A	1,290 square feet	\$631,900	\$2,371.25	0.38%	\$778.01	0.12%	1.64%
A	1,534 square feet	\$691,900	\$2,615.42	0.38%	\$778.01	0.11%	1.64%
A	1,568 square feet	\$681,900	\$2,615.42	0.38%	\$778.01	0.12%	1.64%

In accordance with the Policy, the formation documents include protection for homeowners and for the City prior to future issuance of bonds, including:

Annual Special Tax Installment: The proposed annual installment for the Facilities CFD of 0.37-0.38% of the base home price is less than the City's Policy maximum of 0.75%.

Maximum Total of All Special Assessments: In advance of bond sale the total of all special assessments, fees and charges that appear on the tax bill will be confirmed not to exceed the maximum effective tax rate of 1.8%, which is lower than the City Policy maximum effective tax rate of 2.0%.

Disclosures: The Developer is required to disclose the special taxes in all sales brochures, onsite advertising and purchase documents to the satisfaction of the City Manager and as required by statute.

Pre-payment of Facilities CFD: The special tax for the Facilities CFD may be pre-paid in full at any time after a building permit is issued or in part at the time of initial purchase per the terms set forth in the Rate and Method of Apportionment of Special Taxes.

Minimum Value-to-Debt Ratio is 4:1: At the time of bond issuance, the value of the properties subject to the levy of special taxes, including the value of the improvements to be financed, will be compared to the aggregate amount of the special tax lien proposed to be created plus any prior fixed assessment liens and/or special tax liens to confirm that this requirement is met.

Services CFD 2020-01:



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Although already entitled, the Eclipse and Mountain House Projects have agreed to annex into the Citywide Services CFD No. 2020-1 as Zone 2020-7. This arrangement is similar to that approved for the Canopy Grove (Villages) project that also requested formation of a Facilities CFD. CWC Escondido 113, LLC have submitted their unanimous consent to annex into the Citywide Services CFD (Attachment 2).

CALWest understands that the City Council has directed staff to update the fiscal analysis prepared for the Services CFD which may result in lower tax levies and/or a new rate and method of apportionment. CALWest has asked that the City proceed with annexing the balance of the Eclipse project into the Services CFD. Annexing at this time allows CALWest to maintain their desired timeline for issuance of bonds and occupancy of units.

RESOLUTIONS

- A. RESOLUTION NO. 2022-182, Annexing Territory to CFD 2022-1, Annexation No. 1
 - 1. Exhibit A: Unanimous Approval of Property Owner to Annex into CFD 2022-1
 - 2. Exhibit B: Notice of Special Tax Lien CFD 2022-1, Annexation 1
 - 3. Exhibit C: Boundary Map for CFD 2022-1, Annexation 1
 - 4. Exhibit D: Legal Description

- B. RESOLUTION NO. 2022-183, Annexing Territory to CFD 2020-1 (Services), Zone 2020-7
 - 1. Exhibit A: Unanimous Approval of Property Owner to Annex into CFD 2020-1
 - 2. Exhibit B: Notice of Special Tax Lien CFD 2020-1, Zone 2020-7
 - 3. Exhibit C: Boundary Map for CFD 2020-1, Zone 2020-7
 - 4. Exhibit D: Legal Description