



STAFF REPORT

March 2, 2022
File Number 0685-20

SUBJECT

RESOLUTION OF FORMATION FOR COMMUNITY FACILITIES DISTRICT (CFD) 2022-1 (ECLIPSE AND MOUNTAIN HOUSE) -

DEPARTMENT

Engineering Services

RECOMMENDATION

Request that the City Council hold a public hearing and adopt Resolution No. 2022-10 establishing Community Facilities District (“CFD”) 2022-1, and Resolution No. 2022-11 determining the necessity to incur bonded indebtedness for the Eclipse and Mountain House Projects. Further recommendations include adoption of Resolution No. 2022-12 certifying election results, and Resolution No. 2022-14 annexing the project as Zone 2020-6 of the Citywide Services CFD 2020-1. Finally, it is recommended that Ordinance No. 2022-03 be introduced for first reading.

Staff Recommendation: Approval (Engineering Services Department: Julie Procopio)

Presenter: Julie Procopio

FISCAL ANALYSIS

The costs associated with evaluation of the formation of the proposed CFD are paid for by the Developers 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 2021-115.

PREVIOUS ACTION

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 bonded 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.



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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

CALWest (“Developer”) has submitted a petition requesting that the City Council begin proceedings for establishment of a Facilities CFD and the issuance of bonds in an amount not to exceed \$6-million to fund public facilities associated with the Eclipse and Mountain House Projects. Cal West has deposited funds to cover the cost of the consultants retained by the City, including a special tax consultant, bond counsel, market consultant, and financial advisor, to evaluate the feasibility and prepare documents required to form the proposed CFD 2022-1.

The special tax rates proposed by the Developer meet all provisions of the City’s Amended and Restated Goals and Policies for Community Facilities Districts (“Policy”), adopted March 25, 2020. The Developer has provided recent market analysis for both projects dated July and August 2021 to substantiate the market-pricing, pace of sales, and anticipated appreciation. The details of the Eclipse and Mountain House CFD are provided in the Community Facilities District report (Attachment “1”).

Shown below is a sample of the proposed special tax rates per dwelling unit for proposed CFD 2022-1 and the resulting estimated total tax burden for FY 2021-22 for Zone A, Eclipse and Zone B, Mountain House:

Zone	Home Size	Base Sales Price	Facilities CFD/Yr.	Facilities CFD %	Services CFD/Yr.	Services CFD %	Total Tax Burden
A	1,140 square feet	\$504,900	\$2,249.20	0.45%	\$739.50	0.15%	1.749%
A	1,290 square feet	\$529,900	\$2,371.25	0.45%	\$739.50	0.14%	1.744%
A	1,534 square feet	\$579,900	\$2,615.42	0.45%	\$739.50	0.13%	1.735%
A	1,568 square feet	\$569,900	\$2,615.42	0.46%	\$739.50	0.13%	1.745%
B	Detached Homes Estimated at 3,200 square feet	\$1,100,000	\$1,790.42	0.16%	\$546.72	0.05%	1.376%



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In accordance with the Policy, the formation documents include protections 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 0.16-0.46% 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:

Although already entitled, the Eclipse and Mountain House Projects have agreed to annex into the Citywide Services CFD No. 2020-1 as Zone 2020-6, in consideration for formation of the Facilities CFD. 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 and TTLC CALWEST, LLC have submitted their unanimous consent to annex into the Citywide Services CFD (Attachment 2).

SUMMARY OF ACTIONS:

The following actions are recommended to be taken during the March 2, 2022 City Council meeting.

Step 1: Public Hearing:

Staff recommends that the City Council hold a public hearing to consider formation of a CFD 2022-1, the Eclipse and Mountain House CFD.

Step 2: CFD Formation:

After the public hearing, it is recommended that the City Council adopt Resolution No. 2022-10 that will form CFD 2022-1, the Eclipse and Mountain House CFD and call for an election. Adoption of Resolution 2022-11 determining the necessity to incur bond indebtedness is also recommended.



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Step 3: Landowner Election:

The landowner, CAL West, has waived the waiting period allowing the election to be held immediately. The City Clerk will open ballots for the CFD and read the results aloud. The ballot for CFD 2022-1 contains Proposition A to incur up to \$6-Million in bond indebtedness, Proposition B that sets special taxes for the Facilities CFD, and Proposition C that sets an appropriation limit of \$6-Million.

Step 4: Certify Election Results and Introduce Ordinances:

If the property owner votes affirmatively for each of the propositions on the special tax and special bond election ballots, the City Council is recommended to adopt Resolution No. 2022-12 certifying election results, and Resolution No. 2022-14 annexing the projects into the Services CFD. Finally, it is requested that Ordinance No. 2022-03 authorizing levy of special taxes be introduced for first reading.

FUTURE ACTIONS:

A second reading of Ordinance 2022-03 is required on March 16, 2022. The Ordinance will take effect 30-days after its second reading. CAL West is in escrow to purchase the south half of the Eclipse development. The City Council will be asked to approve annexation of this property into both the Facilities and Services CFD after CAL West takes ownership of the property. The City Council will also be asked to authorize issuance of bonds when (i) each project has commenced construction; and (ii) at least 50-percent of total build-out has occurred; or (iii) a more restrictive level of completion needed to successfully market the bonds. Significant build-out is not projected to occur until late 2023 or 2024.

RESOLUTIONS

- a. RESOLUTION NO. 2022-10, Establishing CFD 2022-01
- b. RESOLUTION NO. 2022-10, EXHIBITS A & B
- c. RESOLUTION NO. 2022-11, Determining Necessity to Incur Bond Indebtedness
- d. RESOLUTION NO. 2022-11, EXHIBIT A
- e. RESOLUTION NO. 2022-12, Certifying Election Results
- f. RESOLUTION NO. 2022-12, EXHIBITS A & B
- g. RESOLUTION NO. 2022-14, Annexing to CFD 2020-1 (Services), Zone 2020-6
- h. RESOLUTION NO. 2022-14, EXHIBITS A-D

ORDINANCES

- a. ORDINANCE NO. 2022-03



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ATTACHMENTS

- a. Attachment "1": Community Facilities District Report CFD 2022-1 (Facilities CFD)
- b. Attachment "2": Unanimous Consent to Annex into CFD 2020-1 (Services CFD)