Agenda Report

Fullerton City Council

MEETING DATE: **AUGUST 18, 2026**

TO: **CITY COUNCIL / SUCCESSOR AGENCY**

SUBMITTED BY: **STEVEN AVALOS, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES**

PREPARED BY: **STEVEN AVALOS, INTERIM DIRECTOR OF ADMINISTRATIVE SERVICES**

SUBJECT: **SPECIAL TAX BONDS FOR COMMUNITY FACILITIES DISTRICT NO. 3 THE PINES AT SUNRISE VILLAGE**

SUMMARY

The proposed resolution authorizes Special Tax Bonds (the “2026 Bonds”) issuance and sale for Community Facilities District No. 3 (The Pines at Sunrise Village) (the “District”) in an amount not to exceed $9,500,000.

PROPOSED MOTION

Adopt Resolution No. 2026-XXX.

RESOLUTION NO. 2026-XXX – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FULLERTON AUTHORIZING SPECIAL TAX BONDS (“2026 BONDS”) ISSUANCE AND SALE FOR COMMUNITY FACILITIES DISTRICT NO. 3 (THE PINES AT SUNRISE VILLAGE) AND APPROVING RELATED DOCUMENTS AND ACTIONS

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Budget Policy Priority Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

Staff anticipates the 2026 Bonds for The Pines at Sunrise Village issued in a maximum $9,500,000 original principal amount, consistent to original project estimates during the Community Facilities District (CFD) No. 3 formation approved on August 15, 2023. Bond proceeds would finance public facilities benefitting the District, including facility and street improvements, undergrounding utilities and park and sewer improvements. Issuance requires no fiscal impact or financial obligation from the City. Special Taxes levied in the District paid by the property owners would pay the 2026 Bonds.

The City would provide administration for the District, funded as part of the annual Special Tax levy. This includes receiving remitted special tax levy proceeds and administering all debt service obligations. 2026 Bond proceeds would pay all legal, fiscal agent (bank) fees, financial advisory and professional services.

DISCUSSION

CFD 3 Formation

The City completed proceedings to form the CFD No. 3 (“District”) under the Mello-Roos Community Facilities Act of 1982 to finance public improvements owned and operated by the City. City Council declared the necessity to issue bonds on behalf of the District under the Mello-Roos Community Facilities Act of 1982, as amended in California Government Code Title 5, Division 2, Part 1, Chapter 2.6 (the “Act”).

City Council adopted the Resolution of Formation On August 15, 2023, establishing the District, authorizing a special tax levy (the “Special Tax”) on taxable property in the District, determining the necessity to incur bonded indebtedness not to exceed $9,500,000 within the District and calling an election to consider a proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit. City Council held an election within the District on the same date. The property owner approved the proposition authorizing bond issuance not to exceed $9,500,000.

The Project

The District encompasses approximately 12.5 acres located at the southwest corner of Euclid Street and Rosecrans Avenue and is part of The Pines at Sunrise Village mixed-use development (the “Project”). The Planning Commission recommended Project approval on December 7, 2022 and City Council approved the Project on January 3, 2023.

The Lennar Homes of California LLC, a Delaware limited liability company (“Lennar”) is developing the property into 113 residential units, consisting of 49 single-family detached homes and 64 attached townhomes.

Lennar completed and conveyed 59 homes within the District to individual homeowners as of June 25, 2026 with 25 completed homes not yet closed to individual homeowners and 29 homes under construction.

Community Facilities Districts

A Community Facilities District is a special district formed pursuant to the Act allowing public agencies to finance public facilities and infrastructure improvements through a special tax levied on property within the district, also known as Mello-Roos special tax. CFDs can fund purchase, construction, expansion or rehabilitation of any real or tangible property, including public facilities and infrastructure improvements, with an estimated useful life of five years or longer that provide public benefit to the District. The revenues generated by the special tax are used exclusively for purposes authorized under the proceedings used to create the district and to repay bonds issued on behalf of the district.

The City formed CFD No. 1 and CFD No. 2 and issued special tax bonds to fund certain infrastructure improvements in the Amerige Heights neighborhood.

Proposed 2026 Bond Financing

The District intends to issue the 2026 Bonds in a maximum $9,500,000original principal amount, secured by the Special Taxes levied on property within the District to provide financing for the facilities.

The City retained Stephen G. White, MAI, a qualified appraiser with extensive experience with similar assignments, in May 2026 to prepare an appraisal estimating the value of the taxable property in the District totaled $114,590,000 as of June 25, 2026. This value, when compared to the estimated $8,250,000, actual original principal amount of the 2026 Bonds results in an estimated value-to-debt ratio of 13.89 to 1, which exceeds the minimum 3.0 to 1 value to debt ratio required by the Act. Expected base prices for the homes range from approximately $1.07 million to $1.65 million based on information provided by Lennar. Staff expects the Fiscal Year (FY) 2026-27 Special Tax to range between $3,799.12 and $5,494.94 per home depending on home size. The Special Taxes would escalate at 2% per year in accordance with the Rate and Method of Apportionment in the POS Exhibit B approved at the August 2023 CFD formation.

Proceeds from the 2026 Bonds would primarily finance public improvements owned and operated by the City, including:

- reimbursing the developer for street, curb, gutter, landscaping rehabilitation and preservation, undergrounding utilities and related improvements\
- park improvements included in the City park impact fee program constructed by the City
- sewer improvements, including sewer treatment capacity acquisition funded with sewer capacity contributions, included in the City sewer impact fee program, constructed by the City.

The proposed Resolution authorizes the 2026 Bonds issuance, subject to the maximum principal amount, true interest cost and underwriter's discount set forth in the Resolution and execution and delivery of certain documents as further described in this report.

Annual debt service on the 2026 Bonds would be sized based on the expected Special Tax revenues received from all 113 parcels developed in the District. Importantly, the 2026 Bonds would be payable solely from special taxes levied by the City on the taxable property within the District. The 2026 Bonds *are not payable from other revenues or funds of the City and the City has no obligation to make up for shortfalls in the special taxes available to pay debt service on the bonds, if any occurred*. However, under the Fiscal Agent Agreement, the City must take actions to enforce the lien of the special taxes, including judicial foreclosure, if property tax delinquencies rise to certain levels within the District and make debt service payments utilizing special taxes levied to the District.

Staff estimates the 2026 Bonds have a par amount totaling approximately $8,250,000 with a final maturity of September 1, 2056 (30-year financing term) based on market conditions as of July 30, 2026. The 2026 Bonds true interest cost is estimated at 5.26% and would depend on market conditions at the time of the bond sale.

The final par amount and interest rate structure would be determined when the 2026 Bonds are priced and sold, which staff expects to occur during the week of August 31, 2026.

California Government Code Section 5852.1 (the "Code") requires good faith estimates provided by the Municipal Advisor and Underwriter. Staff included this with the Resolution (Attachment 2).

Special Tax Bond Documents

Staff requests City Council consider adopting a Resolution to:

- appoint and retain the financing team consisting of Urban Futures, Inc. as Municipal Advisor; Jones Hall as Bond and Disclosure Counsel, Stifel Nicolaus as Underwriter; DTA as Special Tax Consultant and U.S. Bank Trust Company National Association as Fiscal Agent
- authorize special tax bonds issuance for the District, subject to certain parameters achieved during the course of the bond pricing by the underwriter (namely, the principal amount, interest cost and underwriter's discount must remain below the maximum amounts set forth in the Resolution)
- authorize execution and delivery of the following documents substantially in final form except for interest rates, debt service schedules and other information dependent on the final bond pricing.

Document Summary

- The Fiscal Agent Agreement (Attachment 3) between the City, on behalf of the District, and U.S. Bank Trust Company National Association, as fiscal agent, for the bond issuance and contains all bond terms and conditions such as security, payment and early redemption.

- The Preliminary Official Statement or POS (Attachment 4) is the disclosure document for the bond offering and sale to investors, subject to certain federal securities laws concerning securities offering and sale. These laws require the POS to accurately include all "material" facts to an investor. Information is material if there is a substantial likelihood it would have actual significance in the deliberations of a reasonable investor when deciding whether to buy or sell the bonds.

City staff and the financing team have reviewed the POS and transmit it to City Council for approval. Approving the Resolution would authorize designated City staff to execute a certificate deeming the Preliminary Official Statement final, which the underwriter must have before offering the bonds to investors and to make any changes to the document to ensure it is materially accurate and complete.

- The Continuing Disclosure Certificate (Attachment 4) is similar to the previous undertaking the City made for Community Facilities District No. 1 bonds and Community Facilities District No. 2 bonds, to file annual disclosures regarding the bonds and the District with an on-line information depository, which makes the filings available to investors in the secondary market.
- The Bond Purchase Agreement (Attachment 5) is a contract between the City and Stifel, Nicolaus & Company, the investment bank underwriting the 2026 Bonds, signed on the pricing date and contains basic pricing terms for the bonds (principal amount, purchase price, interest rates, maturity dates and amortization schedule), and obligates Stifel, Nicolaus to purchase the bonds on the closing date subject to certain closing conditions.

Bond proceeds included in maximum issuance amount would support all fiscal agent and bank fees, bond legal counsel and underwriter costs and professional services associated with this bond transaction.

Staff requests City Council approve the Resolution to authorize 2026 Special Tax Bonds issuance for CFD No. 3 The Pines at Sunrise Village. This next step would complete the CFD formation and project approved in August 2023. City staff would continue working with the financing team to finalize all documents following Resolution adoption. Staff anticipates the pricing date for the week of August 31, 2026 with bond closing approximately two weeks later.

<u>Attachments:</u>

- Attachment 1 – Presentation
- Attachment 2 – Draft Resolution
- Attachment 3 – Fiscal Agent Agreement
- Attachment 4 – Preliminary Official Statement and Continuing Disclosure Certificate
- Attachment 5 – Bond Purchase Agreement
- Attachment 6 – Appraisal

cc: City Manager Eddie Manfro