



Agenda Report

Fullerton City Council

MEETING DATE: OCTOBER 5, 2021

TO: CITY COUNCIL / SUCCESSOR AGENCY

FROM: STEVE DANLEY, ACTING CITY MANAGER

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SUBJECT: CITY OF FULLERTON COMMUNITY FACILITIES DISTRICT NO. 3 (THE PINES AT SUNRISE VILLAGE)

SUMMARY

Sunrise Village Owner, LLC¹ (the "Applicant") owns a 12.52-acre commercial retail property located on the southwest corner of Euclid Street and Rosecrans Avenue. The Applicant proposes redeveloping the property into a 164-dwelling unit residential community called The Pines at Sunrise Village (the "Project") and has petitioned the City to form a Community Facilities District in accordance with the Mello-Roos Community Facilities Act of 1982 (the "Act").

RECOMMENDATION

Adopt the following resolutions:

RESOLUTION NO. 2021-XX – RESOLUTION OF INTENTION TO ESTABLISH COMMUNITY FACILITIES DISTRICT – CITY OF FULLERTON COMMUNITY FACILITIES DISTRICT NO. 3 (THE PINES AT SUNRISE VILLAGE)

RESOLUTION NO. 2021-XX – RESOLUTION OF INTENTION TO INCUR BONDED INDEBTEDNESS – CITY OF FULLERTON COMMUNITY FACILITIES DISTRICT NO. 3 (THE PINES AT SUNRISE VILLAGE)

¹ Sunrise Village Owner, LLC is an investment vehicle for Shopoff Realty

BUDGET POLICY PRIORITY STATEMENT

This item matches the following Budget Policy Priority Statements:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

The City has received a deposit (the “Initial Deposit”) from the Applicant to initiate proceedings to form a community facilities district. The Initial Deposit, together with any subsequent deposits the Deposit and Reimbursement Agreement requires of the Applicant, should fully cover the costs of City staff and consultants to form the community facilities district. CFD No. 3 will annually levy special taxes on all the taxable property within CFD No. 3 in accordance with the Rate and Method of Apportionment (RMA) as described in the Resolution of Intention Attachment B to pay for the costs of facilities, debt service on bonds and administration of CFD No. 3. Any bonds issued by CFD No. 3 are not obligations of the City and secured solely by the special taxes levied in CFD No. 3.

DISCUSSION

Project Background

The Project consists of 164 for-sale residential units including 49 detached and 115 attached townhome units. The Project is located in the City at the southwest corner of Euclid Street and Rosecrans Avenue and consists of 12.52 acres of the Sunrise Village Shopping Center. The Project does not include the several street-abutting properties which will remain commercial uses, as shown in the Location Exhibit (Attachment 3).

CFD Background

A CFD is a special district formed pursuant to the Act to levy a special tax on property within the district to fund the 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. CFDs typically form in undeveloped areas to fund new public infrastructure. The Rate and Method of Apportionment of Special Tax for the CFD establishes a Special Tax used to finance public infrastructure and annual administrative expenses. As homes sell, the new property owners assume the responsibility to pay the Special Tax in the amount specified in the RMA.

Under CFD No. 3, the Applicant or subsequent developer will make or fund improvements to certain infrastructure as indicated by the list of authorized facilities included in the Resolution of Intention and to receive reimbursement from CFD bond proceeds. Should the cost of the Applicant-constructed facilities exceed the financing amount supported by CFD No. 3, the Applicant or subsequent developer will fund the additional amount.

The proposed CFD No. 3 complies with the City’s Amended and Restated Local Goals and Policies adopted by City of Council on September 20, 2011 (“Local Goals and Policies”), which state that the total projected annual property tax rate on each residential parcel in the CFD shall not exceed 2 percent of the estimated sales prices or assessed values of the respective homes constructed in the CFD. Based on estimated sales prices

provided by the Applicant and the proposed special tax rates included in the RMA, staff estimates that the total projected tax rate for each residential parcel in the CFD will total approximately 1.43 percent.

Formation

The Applicant has submitted the Petition with Waivers to Create a Community Facilities District and Related Matters (Attachment 1) to form CFD No. 3. The following outlines the process to form the CFD.

The Resolution of Intention is the first step in the process of forming the CFD. The attached resolutions declare the City's intention to establish CFD No. 3, its intention to incur bonded indebtedness by CFD No. 3 and call for a public hearing.

The second step is to hold a public hearing on the matter. The Resolution sets a public hearing for November 16, 2021. The legislative body must institute the formation of the CFD within 90 days after the applicant files a petition with the legislative body. At the public hearing, City Council will formally consider approval to form CFD No. 3 and hold an election on the approval of the special taxes and the need to incur bonded indebtedness within CFD No. 3.

The formation of CFD No. 3 does not obligate the City to issue bonds. Should the Applicant or subsequent developer ultimately desire to initiate bond financing, City Council would take the third step to consider approval of bond issuance. Should City Council not approve the Project, the City would cease formation efforts. The Deposit and Reimbursement Agreement would cover formation costs incurred to that point.

The resolutions set forth the following parameters:

Boundaries of the District. The Applicant has requested that the boundaries of CFD No. 3 include the area of the Project described in the Resolution of Intention to Establish CFD No. 3 Exhibit C and to levy special taxes within the boundaries of CFD No. 3 in accordance with the RMA as described in the Resolution of Intention Attachment B.

Eligible Facilities to finance. The Resolution of Intention Exhibit A generally describes facilities proposed for financing as public infrastructure facilities and other governmental facilities ("Facilities") with an estimated useful life of five years or longer, which the law authorizes the community facilities district to construct, own or operate, including but not limited to, rehabilitation and preservation of streets, curbs, gutters, landscaping and related improvements, park improvements and sewer improvements. The Facilities may locate within or outside the CFD boundaries.

Maximum Bonded Indebtedness. The maximum bonded indebtedness of CFD No. 3 will be set at \$7,000,000. This is a "not to exceed" amount. The actual bond issuance amount may be lower than this amount. Additionally, if the cost of authorized facilities exceeds the maximum bonded indebtedness or the maximum amount supported by the CFD, the City is not responsible for the additional cost. The bonds shall be issued in such series and bear interest payable semi-annually or in such other manner as City Council determines, at a rate not to exceed the maximum rate of interest authorized by applicable law at the time of sale of such bonds and shall mature no later than 40 years after their date of issuance.

Attachments:

- Attachment 1 – Draft Resolution (Establish CFD)
- Attachment 2 – Draft Resolution (Incur Indebtedness)
- Attachment 3 – Location Exhibit
- Attachment 4 – Petition with Waivers to Create a Community Facilities District