



## REPORT TO CITY COUNCIL

**To:** Honorable Mayor and Members of the City Council

**From:** Jason Simpson, City Manager

**Prepared by:** Shannon Buckley, Assistant City Manager

**Date:** July 11, 2023

**Subject:** Issuance of City of Lake Elsinore Community Facilities District No. 2006-8 (Running Deer Estates) Special Tax Bonds, Series 2023 in a Principal Amount Not to Exceed Five Million Dollars (\$5,000,000) and Approving Certain Documents and Taking Certain Other Actions in Connection Therewith

### **Recommendation**

Adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-8 (RUNNING DEER ESTATES) AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX BONDS, SERIES 2023 IN A PRINCIPAL AMOUNT NOT TO EXCEED \$5,000,000 MILLION DOLLARS (\$5,000,000) AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

### **Background**

The City of Lake Elsinore (the "City") formed the City of Lake Elsinore Community Facilities District No. 2006-8 (Running Deer Estates) (the "District") in 2006 pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended.

The District contains approximately 32.4 gross acres and 18.8 net taxable acres and is in the City approximately 2.2 miles southwest of Interstate 15, on the eastern side of Lincoln Street, south of Running Deer Road. The developer of the property within the District is Richmond American Homes of Maryland, Inc. ("Richmond American"). The project is being marketed by Richmond American as "Running Deer Estates."

The property within the District is planned for 96 single-family detached homes. As of May 15, 2023, Richmond American had completed and conveyed 42 homes within the District to individual homeowners, and as of such date, Richmond American owned three model homes, one completed production home, six homes in various stages of construction, and 44 finished lots. Richmond American currently expects to complete and convey all homes planned within the

District to individual homeowners by the second quarter of 2025. The development and ownership status of the planned homes within the District as of May 15, 2023, is shown in the table below.

**Ownership and Development Summary (May 15, 2023)**

	<u>Parcels</u>	<u>In Escrow</u>
<b>Individually Owned</b>		
Completed	42	---
<b>Developer Owned</b>		
Completed	1	1
<b>Model Homes</b>	3	---
<b>Under Construction</b>	6	6
<b>Finished Lots</b>	<u>44</u>	<u>6</u>
Subtotal	<u>54</u>	<u>12</u>
<b>TOTAL</b>	<b>96</b>	<b>12</b>

The Resolution before the City Council authorizes the issuance of special tax bonds (the “2023 Bonds”) to finance the costs of construction of facilities benefiting the property in the District, including but not limited to public improvements to be owned by the City, water and sewer facilities to be owned and operated by the Elsinore Valley Municipal Water District and school facilities to be owned by the Lake Elsinore Unified School District. The Resolution also authorizes the approval and execution of certain documents further described below.

**Discussion**

The proposed 2023 Bonds are estimated to be issued in the principal amount of approximately \$3.505 million with a final maturity of September 1, 2053. The final structure and payment schedule will be determined when the 2023 Bonds are priced and sold, which is expected to be in late July 2023. The bond closing is expected to occur approximately two weeks after the pricing of the 2023 Bonds. The table below highlights preliminary financing statistics of the 2023 Bonds based on current market conditions.

**Summary of Financing Statistics<sup>1</sup>**

**2023 Bonds**

Par Amount	\$3.505,000
True Interest Rate	5.24%

**Estimated Cost to Homeowners**

FY2023-24 Assessment <sup>2</sup>	\$2,352 - \$2,561
-----------------------------------	-------------------

<sup>1</sup> Preliminary and subject to change.

<sup>2</sup> Annual Assigned Special Tax will increase at approximately 2% per year.

The Fiscal Year 2023-24 estimated Special Tax levy on homes within the District range between \$2,352 to \$2,561, depending on the size of the home. Such rates will increase 2.0% per year.

Given the level of development noted above and pursuant to the City policy, Richmond American will provide a Letter of Credit or cash deposit to cover payment of delinquent special taxes levied on property owned by Richmond American. The obligation to maintain the Letter of Credit or cash deposit will terminate upon the conveyance of approximately 77 of the 96 homes in the District to individual owners.

As required under Section 5852.1 of the California Government Code, the good faith estimates as provided by the Municipal Advisor and Underwriter are set forth in Exhibit A to this staff report.

Approval of the Resolution with respect to the issuance of the 2023 Bonds approves the form of and/or authorizes the execution and delivery of the following documents:

- ✓ **Preliminary Official Statement:** The Preliminary Official Statement (the “POS”) is the “offering document” for the 2023 Bonds. It provides a description of the District, the 2023 Bonds, the proposed development within the District, and any other information that would be material to a prospective investor’s decision on whether to purchase the 2023 Bonds. While the City’s counsel, consultants, and underwriter have participated in preparing the POS, City Council, and staff are ultimately responsible for ensuring that the POS is accurate, contains no misleading information, and does not omit any information necessary to make the POS not misleading to investors.
- ✓ **Bond Indenture:** The Bond Indenture is a contract entered into between the District and Wilmington Trust, National Association, as the appointed Trustee for the 2023 Bonds. This document contains terms of the 2023 Bonds including, but not limited to, the payment and redemption provisions, the pledge of revenues to pay the 2023 Bonds, rights and duties of the Trustee, remedies upon a default in the payment of the 2023 Bonds, and other related matters.
- ✓ **Continuing Disclosure Certificate:** Executed for the benefit of bondholders, the Continuing Disclosure Certificate obligates the District to file an annual report each Fiscal Year which includes, among other things, the most recent audited financial statements of the City and financial data relating to the District. The District is also required to report certain events which are significant to bondholders if they occur.
- ✓ **Bond Purchase Agreement:** Pursuant to the Bond Purchase Agreement, the District agrees to sell the 2023 Bonds to the underwriter and the underwriter agrees to purchase the 2023 Bonds, subject to typical closing conditions. City staff, the City’s municipal advisor, and bond counsel will sign off on the final pricing of the 2023 Bonds prior to the execution of the Bond Purchase Agreement.

Bond Counsel and the City Attorney have reviewed the attached financing documents on behalf of the City. If this resolution is approved, City staff will continue to work with the financing team to finalize all the aforementioned documents. As previously mentioned, the pricing date would be targeted for late July.

### **Fiscal Impact**

The 2023 Bonds are paid from special taxes levied in the District. There is no fiscal impact to the City's General Fund. The City will, however, be required to provide administration for the District, which will be funded as part of the annual special tax levy.

As previously mentioned, the Fiscal Year 2023-24 estimated Special Tax levy on homes within the District range between \$2,352 to \$2,561. Such special taxes will increase at 2.0% per year pursuant the rate and method of apportionment for the District.

### **Attachments**

- Attachment 1 - Good Faith Estimate
- Attachment 2 - Resolution of Issuance
- Attachment 3 - Preliminary Official Statement
- Attachment 4 - Bond Indenture
- Attachment 5 - Continuing Disclosure Certificate
- Attachment 6 - Bond Purchase Agreement
- Attachment 7 - Appraisal Report