

# CITY OF PALM DESERT STAFF REPORT

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MEETING DATE: July 11, 2024

PREPARED BY: Eric Ceja, Director of Economic Development

REQUEST: CONFIRMATION OF PLANNING COMMISSION RESOLUTION NO. 2873, CONDITION OF APPROVAL NO. 20 REGARDING THE ESTABLISHMENT OF A COMMUNITY FACILITIES DISTRICT AT SHADOW RIDGE

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## **RECOMMENDATION:**

Confirm Planning Commission (PC) Resolution No. 2873, Condition of Approval (COA) No. 20 regarding the establishment of a Community Facilities District (CFD) at Shadow Ridge

## **BACKGROUND/ANALYSIS:**

On January 25, 2024, the City Council adopted Resolution No. 2024-003, amending Development Agreement (DA) 98-1 between the City of Palm Desert and Marriot Ownership Resort, Inc. (Marriott). The amendment allowed for the sale of Parcels 4 and 5 of Tract 28818-1 from Marriott to Toll Brothers (Toll) for the development of 93 single-family homes and for the City to receive a one-time payment of \$1.6M from Marriott upon the sale of property to Toll. In addition, the formation of a service CFD over the subject property to support on-going public safety and public service costs was contemplated however, this condition was not memorialized in the DA as Toll was not a party to the DA.

Toll has now received entitlement approvals from the Planning Commission and, at the request of Toll, a COA was added for establishment of the CFD. Staff is bringing this item to City Council's attention for confirmation of COA No. 20, which states:

*"In order to maintain certain services provided by the City of Palm Desert, which are impacted by the proposed development, including, but not limited to, police services, fire and ambulance and emergency response services, parks and open space maintenance, lighting and landscape maintenance, administrative fees of the City and any other services permitted under the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code ("Act") as well as costs of administration, operating, and reporting, the Developer shall initiate the formation of a community facilities district for services pursuant to the Act by submitting a petition in the form specified by the City, and City and Developer shall coordinate to complete the formation process prior to or concurrent with building permit issuance. The special taxes authorized to be levied within the community facilities district shall be levied in accordance with the Rate and Method of Apportionment of Special Tax ("RMA") attached hereto as Schedule 1. In no event shall the initial Maximum Special Tax for each Assessor's Parcel of Developed Property in its Base Year exceed \$2,200 or increase in subsequent Fiscal Years following the Base Year by more than the Annual Escalation Factor. All capitalized terms used in the preceding sentence shall have the meanings ascribed thereto in the RMA. This condition is subject to confirmation with the City Council."*

A separate Resolution to establish the CFD will be brought forward in the future for City Council consideration.

**Legal Review:**

This report has been reviewed by the City Attorney's office.

**Project Description:**

In 2020, Marriot approached the City and expressed that the timeshare market is saturated in the Coachella Valley, and they would like to pursue other options including the development of single-family homes with the Shadow Ridge development. In late 2022, Marriott returned to the City with a proposal to convert roughly 18.75-acres of undeveloped land to 93 higher-end single family homes rather than the remaining timeshare units. City staff expressed concerns with the loss of revenue from the facilities fee as the new single-family homes would not be subject to the fee. In lieu of the additional facilities fee the second amendment to the Development Agreement was approved to include a one-time \$1.6M payment to the City from Marriott upon sale of the property to Toll.

The Second Amendment to the Development Agreement is limited to Marriott's remittance of \$1.6M to the City of Palm Desert upon the transfer of 18.75-acres to Toll. Toll has completed the City's entitlement process with the passage of PC Resolution 2873 and has agreed to establish a service CFD over their project. A separate resolution to establish the CFD will be brought forward for City Council consideration in the future. Toll anticipates the CFD may generate \$204,600+ for the City in year 1 and will be established for a term of 30-years.

**FINANCIAL IMPACT:**

There is no direct fiscal impact to the General Fund with this action.