

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: January 9, 2025

PREPARED BY: Eric Ceja, Director of Economic Development

SUBJECT: RESOLUTION DECLARING INTENTION TO ESTABLISH THE CITY OF PALM DESERT COMMUNITY FACILITIES DISTRICT NO. 2025-1 (SHADOW RIDGE PUBLIC SERVICES) AND SET A PUBLIC HEARING DATE FOR FEBRUARY 13, 2025

RECOMMENDATION:

1. Adopt a Resolution entitled, "A RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT TO ESTABLISH THE CITY OF PALM DESERT COMMUNITY FACILITIES DISTRICT NO. 2025-1 (SHADOW RIDGE PUBLIC SERVICES), TO AUTHORIZE THE LEVY OF A SPECIAL TAX THEREIN, AND TAKING OTHER ACTIONS RELATED THERETO."
2. Direct staff to record the Boundary Map by January 24, 2025.
3. Set a Public Hearing for February 13, 2025, to consider formation of Community Facilities District No. 2025-1, and calling for a special election pursuant to the Mello-Roos Community Facilities District Act of 1982.

BACKGROUND/ANALYSIS:

The Mello-Roos Community Facilities Act of 1982, as amended (Gov. Code § 53311 et seq.) (the "Act") establishes funding mechanisms for cities to form a community facilities district ("CFD") in order to pay for the provision of certain services. The levy of the annual special taxes on properties within the CFD is used to pay for ongoing municipal services associated with new residential development. As permitted by the Act, CFD No. 2025-1 may provide one or more of the following eligible services:

- Law enforcement services;
- Maintenance of parks, parkways and open space;
- Maintenance of streets and roadways;
- Flood and storm protection services; and
- Other eligible services permitted by the Act.

In order to form the City of Palm Desert Community Facilities District No. 2025-1 (Shadow Ridge Public Services) ("CFD No. 2025-1"), the City must take a series of actions including adopting the Resolution of Intention to establish CFD No. 2025-1, which Resolution of Intention authorizes the recordation of CFD No. 2025-1 Boundary Map, and sets February 13, 2025, for a public hearing to consider formation of CFD No. 2025-1, and calling for a special election pursuant to the Act.

The owner(s) of certain property (the "Property") have filed a petition (including waivers shortening the election noticing period) with the City Clerk's Office to have the Property included

within the boundaries of the proposed CFD No. 2025-1 for purposes of levying special taxes to finance the supplemental services associated with the new development. The Property will be subject to the special tax levy in accordance with the Rate and Method of Apportionment attached to the Resolution of Intention.

Legal Review:

This report was prepared by the City's bond counsel, Nossaman, LLP.

Project Description:

On January 25, 2024, the City Council approved an amendment to Development Agreement 98-1 (the "DA"), allowing the sale of 18+ acres to Toll Brothers for the development of a 93-home subdivision within the Marriott Shadow Ridge Golf Club. As part of this amendment, Toll Brothers is required to form a CFD over the property to offset certain public safety and service costs as identified in the February 17, 2023, letter attached to this report. Toll Brothers has received all entitlement approvals for this development and is in the process of recording their final map. The formation of the CFD over this property satisfies the conditions of the amended DA.

For facilities CFDs, it is often necessary to include different rates for different size homes. With facilities CFDs, the City is trying to max out the Effective Tax Rate (ETR) so that it does not exceed the maximum amount allowable, and also so that different types of units can expect similar tax rates as a percentage of home value. With services CFDs; however, the City is not anywhere near the ETR limit, so the aim is to charge each home based on its benefit from the services rather than based on its estimated sales price. This is why services CFDs tend to have less complicated tax formulas.

Next Steps for CFD Formation

Subject to and subsequent to tonight's actions, the City Council will be asked to consider the following legislative steps:

At the February 13, 2025, Public Hearing, the Council will be asked to consider and take action on the following:

- 1) Adopt the Resolution of Formation. This resolution: (a) incorporates the Brookfield Holdings (Shadow) LLC Property in the initial boundaries of CFD No. 2025-1; and (b) identifies the types of public services financed under CFD No. 2025-1.

- 2) Adopt the Resolution Calling for the Election for CFD No. 2025-1. After adopting the above Resolution of Formation, the City Clerk will open the ballots and state the results of the special mailed-ballot election, in accordance with the Act and all applicable provisions of the Elections Code. The only voters in this election will be the property owner(s) of the subject Property.

- 3) Adopt the Resolution Declaring the Results of the Election for CFD No. 2025-1.

Next, the City Clerk will confirm the results of elections. If the results of the election affirm the formation of CFD No. 2025-1 and the Resolution Declaring the Results of the Election is adopted, the City Council would then:

- 4) Introduce Reading of Ordinance Levying Special Tax within CFD No. 2025-1.

This Ordinance authorizes the levy of a special tax on the Property on the secured property tax roll of Riverside County that is within the boundaries of CFD No. 2025-1.

After the February 13, 2025 public hearing:

- Second Reading of Ordinance Levying Special Tax within CFD No. 2025-1. The Ordinance is published the day after the second reading and is effective thirty days after adoption.

FINANCIAL IMPACT:

There is no immediate fiscal impact as a result of these actions. The developers will cover the entire cost of forming CFD No. 2025-1, including staff time and consultant services. CFD No. 2025-1 will be fiscally self-sustaining. Ongoing administration fees will be paid by owners of properties included in CFD No. 2025-1 through the levy of annual special taxes. Properties within CFD No. 2025-1 are subject to the Annual Special Tax Requirement as described in the Rate and Method of Apportionment.

ATTACHMENTS:

1. Resolution - Intention to Establish Community Facilities District 2025-1
 - a. Exhibits to the Resolution
 - i. Exhibit A – Description of Services
 - ii. Exhibit B – Rate and Method of Apportionment
 - iii. Exhibit C – CFD Boundary Map
2. Petition / Unanimous Waiver Form
3. Letter dated February 17, 2023