

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: February 13, 2025

PREPARED BY: Eric Ceja, Director of Economic Development

SUBJECT: APPROVAL OF THE ESTABLISHMENT OF THE CITY OF PALM DESERT COMMUNITY FACILITIES DISTRICT 2025-1 (SHADOW RIDGE PUBLIC SERVICES) AND LEVY OF A SPECIAL TAX FOR SERVICES AND CONDUCT A SPECIAL ELECTION

RECOMMENDATION:

1. Open the public hearing and take testimony, if any, regarding the formation of the Community Facilities District 2025-1 ("District").
2. Following the public hearing, in the absence of a majority protest, consider the following:
 - a. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, DETERMINING THE VALIDITY OF PRIOR PROCEEDINGS, **FORMING THE CITY OF PALM DESERT COMMUNITY FACILITIES DISTRICT NO. 2025-1 (SHADOW RIDGE PUBLIC SERVICES)**, AUTHORIZING THE LEVY OF A SPECIAL TAX THEREIN, ESTABLISHING AN APPROPRIATIONS LIMIT, AND TAKING CERTAIN OTHER ACTIONS RELATING TO SAID DISTRICT."
 - b. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE CITY OF PALM DESERT COMMUNITY FACILITIES DISTRICT NO. 2025-1 (SHADOW RIDGE PUBLIC SERVICES) **CALLING A SPECIAL LANDOWNER ELECTION** RELATING TO THE LEVY OF A SPECIAL TAX THEREIN AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT."
3. Conduct the Special Election and Canvass results, and consider the following:
 - a. Adopt a Resolution entitled, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE CITY OF PALM DESERT COMMUNITY FACILITIES DISTRICT NO. 2025-1 (SHADOW RIDGE PUBLIC SERVICES) **DECLARING THE RESULTS OF A SPECIAL LANDOWNER ELECTION** RELATING TO THE LEVY OF A SPECIAL TAX THEREIN AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT."
 - b. Introduce an Ordinance entitled, "AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF THE PALM DESERT COMMUNITY FACILITIES DISTRICT NO. 2025-1 (SHADOW RIDGE PUBLIC SERVICES) AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN SAID DISTRICT."

BACKGROUND/ANALYSIS:

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. 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.

To facilitate this requirement, on December 10, 2024, Brookfield Holdings (Shadow) LLC, the owner of all of the property within the District, submitted a Petition and Waiver to request the formation of the District pursuant to the Mello-Roos Community Facilities Act of 1982 (Cal. Gov. Code, § 53311 *et seq.*) (“Act”) in order to provide a method of financing specified public services to serve the District and to pay all costs associated with forming the District. In addition, all of the landowners within the District waived certain notice and election requirements in order to allow for expedited proceedings.

On January 9, 2025, the City Council adopted Resolution No. 2025-001 (the “Resolution of Intention”) declaring the City Council’s intention to establish the District and to authorize the levy of a special tax in accordance with the Rate and Method of Apportionment of Special Tax attached as Exhibit B to the Resolution of Intention (the “Rate and Method”). The Resolution of Intention was the initial step for forming the District pursuant to the procedures prescribed by the Act, which include holding a public hearing and submitting the formation of the proposed District to the landowners at a special election to be conducted following the conclusion of the public hearing. The Resolution of Intention set February 13, 2025, as the date of public hearing. Notice of the public hearing was published in accordance with the Act. The Resolution of Intention also directed Staff to prepare and file a report on the proposed District that describes the Services and includes an estimate of the cost of providing the Services.

Subsequent to the adoption of Resolution No. 2025-001, and as required by the Act, the Boundary Map was recorded with the Riverside County Recorder’s office on January 28, 2025.

The purpose of the District is to mitigate the adverse fiscal impacts on municipal services associated with new development projects, including residential developments. Unlike Development Impact Fees which provide funding for initial infrastructure costs only, the District is intended to pay for ongoing municipal services to serve the District.

As permitted by the Act, the specified Services to be financed through the District are specified in Exhibit A to the Resolution of Intention, and include the following:

- 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.

The Services will be financed through the annual levy of special taxes against the taxable properties in the District. As specified in Section C of the Rate and Method, the proposed initial maximum annual special tax for each Assessor's Parcel of Developed Property in its Base Year shall be \$2,200. Such maximum annual special tax shall be subject to an escalator of 2% per year.

The specific format that must be followed for the formation of the District includes the following steps. At the public hearing, the City Council will hear any testimony concerning the District. Section 53325 of the Act provides that the City Council may modify the Resolution of Intention (Resolution No. 2025-001) by:

1. Eliminating proposed Services;
2. Changing the rate or method of apportionment so as to reduce the maximum special tax for all or a portion of the owners of property within the proposed District or by removing territory from the proposed District; or
3. Removing territory from the proposed district.

After the closing of the public hearing, the City Council may adopt Resolution 2025-__ (Attachment No. 1), approving the formation of the District and the levy of the special tax, subject to a special election, if written protests have not been filed by the owners of one-half or more of the area of land within the proposed District and not exempt from the special tax.

Following the formation of the District, the City Council may call a special election by the landowners within the District by adopting Resolution No. 2025-__ (Attachment No. 2). Each landowner has one vote for each acre, or portion thereof, owned by the landowner. The City Council may call such election for February 13, 2025. The City Council may levy the special tax if two-thirds of the votes cast at the special election are in favor of levying the special tax. The landowner's ballot will be opened and the votes tallied by the City Clerk at the City Council meeting.

Following the vote, and assuming the election is successful, the City Council is requested to consider Resolution No. 2025-__ (Attachment No. 3), which is a resolution declaring the results of the Special Election in the District and directs the recording of a Notice of Special Tax Lien, and introduce Ordinance No. ____ (Attachment No. 4), which is an ordinance establishing the levy of the special tax.

Should the City Council adopt the Resolutions described above and introduce the Ordinance, the City Council City Clerk will subsequently record the Notice of Special Tax Lien with the Riverside County Recorder's Office. A second reading of the Ordinance will be scheduled for the February 27, 2025, regular City Council meeting date.

Legal Review:

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

FINANCIAL IMPACT:

The proposed District will provide the funding mechanism for the Services through the levy of an annual special tax, commencing with Fiscal Year 2025-26. The individual property owners within the District will be responsible for the annual payments of special taxes levied within the District.

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 No. 2025-_____ - Establishing the District
2. Resolution No. 2025-_____ - Calling Special Election
3. Resolution No. 2025-_____ - Declaring Results of the Election
4. Ordinance No. _____ - Levying Special Tax
5. Shadow Ridge City Council Report – January 9, 2025
6. City Council Resolution 2025-001 – Shadow Ridge CFD