

**CITY OF SANTA PAULA
MEMORANDUM**

To: Honorable Mayor and Members of the City Council

From: Christy Ramirez, Finance Director

Subject: RESOLUTION OF CONSIDERATION OF CHANGE - HARVEST CFD NO.
1

Date: November 2, 2022

Agenda Item: 10.A

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt Resolution No. 7424 stating its consideration to amend the special tax formula and bond authorization for Improvement Area B and Improvement Area C of Harvest Community Facilities District No. 1

BACKGROUND:

On November 21, 2016 the City Council adopted Resolution No. 7013 forming the Harvest Community Facilities District (CFD) No. 1 and three Improvement Areas designated "A," "B," and "C" (corresponding to anticipated phases of development) to finance public infrastructure needs for The Harvest at Limoneira project and certain City services costs. Bonds, payable only from CFD No. 1 taxes and not from the general fund, to finance public infrastructure were issued in 2020 and 2022 and are contemplated to be issued again in 2022 and 2023.

The developer had originally expected to fund as much of the public infrastructure costs as possible through either bonds issued for the CFD, initially authorized in amounts not to exceed \$33 million for Improvement Area A, \$31 million for Improvement Area B, and \$24 million for Improvement Area C, and/or directly on a pay as you go basis from special taxes levied on homeowners in the CFD.

At its meeting on December 10, 2018, the Council, at the request of the developer, expressed its consideration to amend the special tax rate for the CFD. With an increased tax rate, the CFD would be able to issue a greater amount of bonds, so at its meeting on January 16, 2019, the Council, also at the request of the developer, expressed its consideration of increasing the bond authorizations to the following amounts: \$40,000,000 for Improvement Area A, \$41,000,000 for Improvement Area B, and \$32,000,000 for Improvement Area C. These changes were finalized in February 2019.

ANALYSIS:

The Harvest at Limoneira project is approved for up to 1,500 residential dwelling units and

17.22 acres of commercial use to be constructed on 494.91 acres in the eastern part of the incorporated boundaries of the City. Approximately 632 residential units will be constructed in the first phase, with the remaining 868 residential units to be constructed in a second and third phase. The developer, Limoneira Lewis Community Builders, LLC has construction underway.

The City in 2016 formed Harvest Community Facilities District No. 1 to finance public infrastructure and certain City services costs. Bonds, payable only from CFD No. 1 taxes and not from the general fund, to finance public infrastructure for Improvement Area A were issued in 2020 and 2022 and are contemplated to be issued again soon as a final series for Improvement Area A. The developer would like to fund as much of the public infrastructure costs as possible through either bonds issued for the CFD, or directly by special taxes levied on homeowners within the CFD. Issuances of bonds for Improvement Area B and C are planned for the future as development of the project progresses.

The existing rate, method of apportionment, and manner of collection of the authorized special tax (the "Rate and Method of Apportionment of Special Tax") for each Improvement Area was approved at the time of formation and is set forth in a Notice of Special Tax Lien recorded in the office of the County Recorder of the County of Ventura as follows: for Improvement Area A: on December 20, 2016 as Document No. 20161220-00188685-0; for Improvement Area B: on December 20, 2016 as Document No. 20161220-00188686-0 for Improvement Area C: on December 20, 2016 as Document No. 20161220-00188687-0.

In February 2019, the Council approved amending the Rate and Method of Apportionment of Special Tax and the corresponding bonded indebtedness limit for each Improvement Area, resetting the bonded indebtedness limit for Improvement Area A at \$40,000,000, for Improvement Area B at \$41,000,000 and for Improvement Area C at \$32,000,000.

Subsequently in June 2020, a first series of bonds were issued for Improvement Area A, and in March 2022 the City issued a second series, leaving approximately \$5.6 million of bonds for Improvement Area A authorized but not yet issued.

Similar to the developer's 2019 request to amend tax rates and bond authorizations, City staff has received a request from the developer to amend the Rate and Method of Apportionment of Special Tax for Improvement Area B and Improvement Area C, primarily to increase the allowable special tax rate in contemplation of future bonds for those Improvement Areas.

The proposed resolution ("Resolution") is a first step required by law, to express the consideration and intent of the City to make the requested changes. The changes to each Rate and Method of Apportionment of Special Tax are set forth in the proposed amendment to rate and method of apportionment of the Special Tax set forth in Exhibits A, B and C to the Resolution. Additional Council actions (planned for December) are required to implement the change.

If the tax rate is amended as described in the preceding paragraph, the increased tax rate would support the issuance of a greater amount of bonds. The existing not-to-exceed amounts which are authorized for each of the three Improvement Areas in the CFD are: \$40 million for Improvement Area A, \$41 million for Improvement Area B, and \$32 million for Improvement Area C. If approved, the Resolution would increase those amounts to \$70,000,000 for Improvement Area B, and \$ 55,000,000 for Improvement Area C.

Legal Documents:

1) Rate and Method of Apportionment of Special Tax for Improvement Areas B & C. These specify the actual tax structure to be used to calculate the tax each year.

Next Steps in CFD Change Process:

Should the City Council adopt the proposed Resolution, a final resolution (the "Resolution of Changes") will need to be adopted in November authorizing the changes following a public hearing and landowner vote on the changes. Since Limoneira Lewis Community Builders, LLC is the sole landowner within Improvement Areas B & C, that entity will be the single voter. After the landowner vote, the authorization of the levy of the Special Taxes for Improvement Areas B & C at the new rate and increases in the maximum amount of bonds that can be issued for Improvement Areas B & C become effective and the change process is complete. Both landowner vote and adoption of the Resolution of Changes are being planned for the regularly scheduled Council meeting of December 21, 2022.

STRATEGIC PLAN:

FISCAL IMPACTS:

The proposal increases the special tax authorized for the CFD. The obligation to pay special taxes in each Improvement Area of the CFD is solely an obligation of the parcels within the Improvement Area. Neither the parcel owner as an individual nor the City is directly obligated to pay the taxes. The taxes are secured solely by a lien on the taxable parcels. When bonds are issued, debt service will be secured solely by a pledge of the special taxes on parcels within the respective Improvement Area. There is no obligation from the City to pay debt service on the bonds.

OPTIONS:

ATTACHMENTS:

[Reso_Consid_2022_Harvest_CFD_Changes-40735244-v2-c1.docx](#)

[Harvest_IA_B_Amended_and_Restated_RMA 3.docx](#)

[Harvest_IA_C_Amended_and_Restated_RMA 3.docx](#)