



INDIAN WELLS CITY COUNCIL

May 16, 2024

To: City Council
From: Finance Department
Prepared by: Kevin McCarthy, City Finance Director
Subject: **Proceedings to Establish Future Annexation to Proposed Community Facilities District No. 2024-1 (Public Safety)**

RECOMMENDED ACTIONS:

Council **ADOPTS** Resolution Intention to Annex Territory in the Future to Community Facilities District No. 2024-1 (Public Safety) of the City of Indian Wells, County of Riverside, State of California; and

FINDS the project to be exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Sections 15060 and 15378.

DISCUSSION:

Prior to this agenda item, the City Council considered a resolution to establish the City of Indian Wells Community Facilities District No. 2024-1 (Public Safety) ("CFD") to address the need to provide funding for the continued demand for additional municipal services associated with new development and population growth. The proposed CFD is to assist in funding public safety cost increases related to future development throughout the community. Concurrent with establishing Community Facilities District No. 2024-1, the City wishes to develop a mechanism to annex additional property to the CFD as those projects begin development.

The City is in the process of establishing the CFD for the initial property owner Summit Developments, the owner and developer ("Owner") of Assessor's Parcel Numbers (APNs): 633-150-087, 633-310-004, 633-310-013, 633-310-026, 633-310-021, 633-310-028, 633-310-035, 633-410-045, 633-410-049 and 633-410-051 (the "Formation Property") which requested the formation of the proposed CFD to fund additional municipal services.

It is anticipated that additional property will be annexed into the CFD at a future date. Adopting the attached resolution begins the process of the City annexing the additional properties as needed. Future property anticipated to annex into the CFD includes, but is not limited to, Leo Cook, the owner, and developer of APN 633-240-042, and BBC Esmeralda, owner of APN 633-150-044 (the "Future Annexation Property"). Additionally, APNs 633-310-014, 633-310-030, 633-310-032, 633-310-034, 633-410-036, 633-410-

041, 633-410-046, 633-410-050, 633-410-052, 633-150-071, and 633-150-077 are owned by the City of Indian Wells and are proposed to annex into the CFD at a later date. As a public agency, the City is not subject to the proposed special tax and intends to transfer ownership of the property to be included in the CFD to third parties. The property will be subject to a special tax once ownership is transferred to third parties and the annexation into the CFD is completed.

Approval of the resolution described above is the first step to establishing the proposed future annexation to the CFD for all Future Annexation Property. Establishing the ability to annex Future Annexation Property this evening will reduce the administrative burden on the City, City Counsel, and property owners wishing to develop in the City. The administrative burden is reduced because the "Mello-Roos Community Facilities Act of 1982," being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act") which usually requires two meetings of the City Council (e.g., a resolution of intention meeting and then a second meeting to hold the public hearing) may be reduced to one meeting pursuant to Section 53339 of the Act. The City can eliminate the need to hold the public hearing upon adopting the future annexation procedures. Instead, with the unanimous consent of the owner or owners of any parcel proposed for annexation, the City can adopt a single resolution approving each annexation.

The final steps for establishing the future annexation to the CFD will occur at the City Council meeting on June 20, 2024. The Mayor and the City Council will conduct a public hearing on such day and, following the public hearing may adopt a resolution to form the future annexation area of the CFD.

OPTIONS:

The Council provides alternative direction to staff.

FISCAL IMPACT:

There is no fiscal impact on the City's general fund as the costs of the future annexation proceedings are paid for from proceeds of deposits collected from the Owner to form the CFD. The future costs of annexing property to the CFD and the ongoing administration costs will be paid from property owner deposits and the levy and collection of the annual special taxes collected from future annexation property.

A special tax proposed to pay for the services to be provided to the territory proposed for annexation in the future shall be equal to any special tax levied to pay for the same services in the Formation Property, creating the CFD. However, if the actual cost of providing the services to property within the proposed future annexation area is higher or lower than the cost of providing such services within the existing CFD, a higher or lower special tax may be levied within such territory to the extent the actual cost of

providing the services in the annexation territory is higher or lower than the costs of providing those services to the Formation Property. The special tax rates to be imposed in each annexation area are subject to unanimous approval and election of the owner or owners of such property. In any such circumstance, the rate and method of apportionment may be revised to reflect the higher or lower special tax, as applicable. However, the maximum special tax rate in the existing community facilities district may not be increased as a result of any annexation. The existing special tax rates are proposed as follows:

- Permanent Residential Property: \$388 per residential unit
- Short-Term Rental Property: \$291 per residential unit
- Hotel Property: \$277 per hotel room
- Retail Property: \$0.67 per building square foot
- Other Non-Residential Property: \$0.34 per building square foot

An annual escalation factor will increase the maximum special tax rates for each fiscal year. Long-term revenue projections will depend on the number, scale, and progress of new developments annexed into the CFD.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):

This action has been reviewed per the authority and criteria contained in the California Environmental Quality Act (CEQA), the State and local CEQA Guidelines, and the City's environmental regulations. The City, acting as the Lead Agency, determined that the resolution is not subject to CEQA pursuant to Sections 15060(c)(2), 15060(c)(3), and 15061(b)(3) of the State CEQA Guidelines, because it will not result in a direct or reasonably foreseeable indirect physical change to the environment as there is no possibility that the action would result in a significant environmental impact, and because it does not constitute a "project" as defined in Section 15378 of the State CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3.

ATTACHMENTS:

1. Resolution of Intention Declaring Future Annexation to CFD No. 2024-1 (Public Safety)
2. Indian Wells CFD No. 2024-1 (Public Safety) Future Annexation Boundary Map