



# City of Oceanside

300 North Coast Highway,  
Oceanside, California 92054

## Staff Report

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**File #:** 25-714

**Agenda Date:** 4/23/2025

**Agenda #:** 24.

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**DATE:** April 23, 2025

**TO:** Honorable Mayor and City Councilmembers

**FROM:** Financial Services Department

**TITLE: PUBLIC HEARING AND ELECTION FOR CHANGE PROCEEDINGS FOR CITY OF OCEANSIDE COMMUNITY FACILITIES DISTRICT NO. 2023-1 (NORTH RIVER FARMS PUBLIC FACILITIES) TO APPROVE A SECOND AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX AND DECREASING THE AMOUNT OF BONDED INDEBTEDNESS**

### **RECOMMENDATION**

Staff recommends that the City Council (1) hold a public hearing; (2) adopt the Resolution of the City Council of the City of Oceanside, California, Acting as the Legislative Body of the City of Oceanside Community Facilities District No. 2023-1 (North River Farms Public Facilities), Approving a Second Amendment to the Rate and Method of Apportionment and Decreasing the Amount of Bonded Indebtedness and Calling an Election therein; (3) direct the City Clerk to hold the election; (4) adopt the Resolution of the City Council of the City of Oceanside, California, Acting as the Legislative Body of the City of Oceanside Community Facilities District No. 2023-1 (North River Farms Public Facilities), Certifying the Results of the April 23, 2025, Special Election; and (5) introduce the Ordinance of the City Council of the City of Oceanside, California, Acting as the Legislative Body of the City of Oceanside Community Facilities District No. 2023-1 (North River Farms Public Facilities) Authorizing the Levy of a Special Tax Within Such District.

### **BACKGROUND AND ANALYSIS**

In November 2019, the City Council approved the North River Farms project, a mixed-use housing development located along North River Road (the "North River Farms Project"). When the North River Farms Project was initially approved, the City Council adopted a general plan amendment, a zone change, and other entitlements for a project consisting of up to 585 homes, a 24.9-acre village, 85.1 acres of agriculture and open space (68.1 acres of agriculture and 17 acres of open space), a permanent onsite fire station, and other amenities situated in Oceanside's South Morro Hills neighborhood area. Following the settlement of various litigation among the developer of the North River Farms Project, the City and certain citizen groups, the North River Farms Project was reduced to its current planned size of 395 homes and various community amenities, including the fire station.

The developer of the North River Farms Project is The NRF Project Owner, LLC, which is a joint venture between Lennar Homes ("Lennar") and Integral Communities. NRF AIV LLC, as the land-banking affiliate of the developer (the "Original Landowner"), was originally the owner of the property

within the North River Farms Project. As development commences within the North River Farms Project, Lennar and other affiliated entities have taken ownership of portions of the property from the Original Landowner pursuant to a schedule.

As the original property owner within the proposed community facilities districts, the Original Landowner submitted petitions to the City in November 2022 requesting the formation of the City of Oceanside Community Facilities District No. 2023-1 (North River Farms Public Facilities) (the “Facilities CFD”) and the City of Oceanside Community Facilities District No. 2023-2 (North River Farms Fire Services) (the “Services CFD”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”).

On January 11, 2023, the City Council adopted a Resolution of Intention to Establish the Facilities CFD and a Resolution of Intention to Incur Bonded Indebtedness for the Facilities CFD. The Resolution of Intention to Establish the Facilities CFD also called for a public hearing to be set for February 15, 2023 for the City Council to formally consider formation of the Facilities CFD and for an election to be held within the Facilities CFD on the approval of the special taxes within the Facilities CFD.

On February 15, 2023, the City Council held a public hearing regarding the formation of the Facilities CFD and the levy of the special tax to finance the facilities authorized by the Facilities CFD. Following the public hearing on February 15, 2023, the City Council adopted resolutions, among other things, forming the Facilities CFD, approving a Rate and Method of Apportionment regarding the levy of the special tax within the Facilities CFD (the “Rate and Method”) and calling an election within the Facilities CFD. On February 15, 2023 an election was held within the Facilities CFD at which the Original Landowner, as the only qualified elector within the Facilities CFD, approved the levy of the special tax within the Facilities CFD, approved the issuance of bonds by the Facilities CFD and established an appropriations limit within the Facilities CFD.

In January 2024, the Original Landowner submitted a petition to the City requesting that the City Council, as the legislative body of the Facilities CFD, institute change proceedings to approve a new Rate and Method of Apportionment for the Facilities CFD (the “Amended and Restated Rate and Method”) to exempt a portion of the property within the Facilities CFD known as “Lot U” from the levy of the Special Tax. On February 28, 2024, the City Council adopted a resolution declaring its intention to conduct proceedings under the Act to consider approving the Amended and Restated Rate and Method and setting a public hearing on the matter for April 24, 2024. Following the April 24, 2024 public hearing, the City Council adopted resolutions approving the Amended and Restate Rate and Method and calling an election within the Facilities CFD for April 24, 2024. At the April 24, 2024, the Original Landowner, as the only qualified elector within the Facilities CFD, approved the Amended and Restated Rate and Method.

At the time of the original formation of the Facilities CFD, the qualified electors within the Facilities CFD approved the issuance of up to \$45 million in special tax bonds by the Facilities CFD to finance the costs of various public capital improvements related to the development of the North River Farms Project, including but not limited to various improvements related to North River Road. Since the original formation of the Facilities CFD, the Original Landowner and Lennar no longer wish to finance

the various improvements to North River Road with the proceeds of bonds issued by the Facilities CFD.

Due to the reduction in the amount of facilities expected to be financed with the proceeds of bonds issued by the Facilities CFD, in February 2025, the current owners of all of the property within the Facilities (consisting of the Original Landowner, Lennar and an affiliated entity of Lennar, and collectively referred to as the “Landowners”) submitted petitions to the City requesting that the City Council, as the legislative body of the Facilities CFD, institute change proceedings to (1) reduce the amount of bonded indebtedness authorized to be issued by the Facilities CFD from \$45 million to \$25 million and (2) approve a new Rate and Method of Apportionment for the Facilities CFD (the “Second Amended and Restated Rate and Method”) which reduces all of the special tax rates to be levied within the Facilities CFD.

On March 12, 2025, the City Council adopted the Resolution of the City Council of the City of Oceanside Acting as the Legislative Body of the City of Oceanside Community Facilities District No. 2023-1 (North River Farms Public Facilities), Declaring its Intention to Consider a Second Amendment to the Rate and Method of Apportionment and Decreasing the Amount of Bonded Indebtedness, which: (1) declared the City Council’s intention to conduct proceedings under the Act to consider approving the Second Amended and Restated Rate and Method and decreasing the amount of bonded indebtedness authorized to be incurred by the Facilities CFD; and (2) set a public hearing for April 23, 2025 on approving the Second Amended and Restated Rate and Method and decreasing the amount of bonded indebtedness authorized to be incurred by the Facilities CFD. Approval of the Second Amended and Restated Rate and Method and the reduction of the amount of bonded indebtedness also requires another election within the Facilities CFD which will also occur on April 23, 2025, if the City Council determines to submit the approval of the Second Amended and Restated Rate and Method and the reduction of the amount of bonded indebtedness to the qualified electors within the Facilities CFD following the public hearing.

The proposed Second Amended and Restated Rate and Method reduces the rates of the special tax to be levied within the Facilities CFD due to the decision by the developers of the North River Farms Project not to request that special tax bonds be issued to finance a portion of the costs of the improvements to North River Road that were originally contemplated at the original formation of the CFD. The reduced rates represent an approximately 38% reduction in the special taxes. The tax rates vary across each of the 4 tax zones within the CFD and are based on the square footage of the homes. The original rates ranged from \$3,135 per dwelling unit to \$5,120 per dwelling unit for fiscal year 2023-24. The proposed reduced rates range from \$1,897 per dwelling unit to \$3,169 per dwelling unit for fiscal year 2024-25. No changes to the required public infrastructure requirements will be made through this amendment. The North River Farms Project is still obligated to construct all agreed upon improvements.

Following the close of the public hearing, the City Council will be asked to adopt the Resolution Approving a Second Amendment to the Rate and Method of Apportionment and Decreasing the Amount of Bonded Indebtedness and Calling an Election Therein and Calling an Election Therein, which calls for an election to submit to the qualified voters of the Facilities CFD a ballot measure on the approval of the Second Amended and Restated Rate and Method and decreasing the amount of

bonded indebtedness authorized to be incurred by the Facilities CFD from \$45 million to \$25 million.

On file with the City Clerk is a Certificate of the Registrar of Voters of San Diego County certifying that there are no registered voters residing within the boundaries of the Facilities CFD. Accordingly, under the Mello-Roos Act, only property owners owning land in the Facilities CFD are eligible to vote at the election to approve the Second Amended and Restated Rate and Method and decreasing the amount of bonded indebtedness authorized to be incurred by the Facilities CFD, with each owner having one vote for each acre (or portion thereof) that they own within the Facilities CFD. The Landowners have each executed a consent and waiver of certain election procedures with respect to the election, including certain timing requirements with respect to the election, in accordance with the Mello-Roos Act. Accordingly, if the City Council approves the Resolution Approving a Second Amendment to the Rate and Method of Apportionment and Decreasing the Amount of Bonded Indebtedness and Calling an Election Therein and Calling an Election Therein the City Clerk will conduct the election. The Landowners will have delivered their ballots to the City Clerk in advance of the public hearing, and the City Clerk will announce the election results and the City Council will be asked to adopt the Resolution Certifying Election Results. If upon certification that 2/3rds of the votes cast are in favor of the propositions to approve the Second Amended and Restated Rate and Method and decreasing the amount of bonded indebtedness authorized to be incurred by the Facilities CFD, the Resolution Certifying the Election Results will direct the City Clerk to record an amended and restated notice of special tax lien on the property within the Facilities CFD. The City Council will then be asked to introduce the Ordinance authorizing the levy of the special tax within the Facilities CFD, in accordance with the Amended and Restated Rate and Method. The Ordinance by its terms supersedes Ordinance No. 24-OR0206-1 previously approved by the City Council on May 8, 2024 with respect to the levy of special taxes of the District.

### **FISCAL IMPACT**

Lennar Homes has made deposits to pay for the costs of the formation proceedings of both the Facilities CFD and the Services CFD, the change proceedings for the Facilities CFD in 2024 and the change proceedings for the Facilities CFD contemplated by the attached Resolution, which may be reimbursed to Lennar Homes in accordance with a reimbursement agreement with Lennar Homes (which was previously approved by the City Council).

### **COMMISSION OR COMMITTEE REPORT**

Does not apply.

### **CITY ATTORNEY'S ANALYSIS**

In 1978, the voters approved Proposition 13, which added article XIII A to the California Constitution. Among other things, Proposition 13 restricts the imposition of special taxes by local governments. Proposition 13 defines special taxes as taxes imposed for a specific purpose rather than a levy placed in the general fund for general government purposes. Proposition 13 requires that special taxes must be approved by a two-thirds vote of local voters and cannot be levied in the absence of state enabling legislation.

The Mello-Roos Community Facilities Act of 1982 (Government Code section 53311 et seq.), commonly known as the Mello-Roos Act, was intended to provide an alternative method of financing certain capital facilities and services. The Mello-Roos Act authorizes the creation of community facilities districts (CFD's) by local agencies, including cities. A CFD may be established to fund one or more types of specified services set forth in Government Code section 53313 or facilities included in Government Code section 53133.5, or both. After the formation of a district, the legislative body of the agency must submit the levy of any special tax to the voters for approval. If there are not at least 12 persons registered to vote in the proposed district on each of the 90 days preceding the election, the vote is by the landowners of the real property. Imposition of a special tax requires two-thirds approval of the landowners.

Bond counsel and the City Attorney's Office have approved the attached resolutions and ordinance as to form.

Prepared by: Jill Moya, Financial Services Director  
Reviewed by: Michael Gossman, Assistant City Manager  
Submitted by: Jonathan Borrego, City Manager

**ATTACHMENTS:**

1. Staff Report
2. Resolution Approving Second Amended and Restated RMA (North River Farms Facilities CFD) (2025 Change Proceedings)
3. Resolution Certifying Election Results (North River Farms Facilities CFD) (2025 Change Proceedings)
4. Ordinance (North River Farms Facilities CFD) (2025 Change Proceedings)
5. CFD 2023-1 (signed certificate)
6. Landowner Consents and Waiver (Lennar, Millrose, NRF AIV LLC)
7. Certificate of City Clerk Regarding Election