



# City of Oceanside

300 North Coast Highway,  
Oceanside, California 92054

## Staff Report

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**File #:** 25-634

**Agenda Date:** 3/12/2025

**Agenda #:** 12.

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**DATE:** March 12, 2025

**TO:** Honorable Mayor and City Councilmembers

**FROM:** Financial Services Department

**TITLE: RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE, ACTING AS THE LEGISLATIVE BODY OF CITY OF OCEANSIDE COMMUNITY FACILITIES DISTRICT NO. 2023-1 (NORTH RIVER FARMS PUBLIC FACILITIES), DECLARING ITS INTENTION TO CONSIDER AN AMENDMENT TO THE 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 adopt 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 an Amendment to the Amended and Restated Rate and Method of Apportionment of Special Tax and Decreasing the Amount of Bonded Indebtedness.

### **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.

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 Restated 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 CFD (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.

The proposed 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 an Amendment to the Amended and Restated Rate and Method of Apportionment of Special Tax and Decreasing the Amount of Bonded Indebtedness would: (1) declare 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; (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 decreasing the amount of bonded indebtedness would also require another election within the Facilities CFD, which would 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.

### **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). Lennar Homes is required to deposit additional funds to pay for the costs of the change proceedings for the Facilities CFD at the request of the City as needed.

### **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 resolution 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
3. NRF AIV LLC Landowner Petition (North River Farms Facilities CFD) (2025 Change Proceedings)
4. Lennar Homes Landowner Petition (North River Farms Facilities CFD) (2025 Change Proceedings)
5. Millrose Landowner Petition (North River Farms Facilities CFD) (2025 Change Proceedings)
6. RMA\_08 (North River Farms Public Facilities CFD)