



March 14, 2024

Katherine Stevens
Director of Finance
City of Rialto
150 S. Palm Avenue
Rialto, CA 92376

RE: City of Rialto – Community Facilities District Request Letter Renaissance

Dear Katherine:

On behalf of Lewis Management Corp., I am providing a proposal for the City of Rialto’s consideration relative to the formation of a Community Facilities District (“CFD”) as a means of satisfying certain development costs of the City of Rialto (“City”).

We appreciate your consideration of this proposal and look forward to working with you and City staff to further the formation of this CFD. In the meantime, if you have any questions or comments, please do not hesitate to call me at (949) 388-9269 x1109.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Piller', is written in a cursive style.

Peter Piller
Managing Principal

CC: Anna Sarabian, Fieldman, Rolapp & Associates, Inc.
Glen Crosby, Lewis Management Corp.
John Yeager, O’Neil LLP
Nick Belshe, DPF&G

**Community Facilities District Financing Proposal
Rialto Renaissance Project (TR #20448)
City of Rialto**

March 14, 2024

1. Background

- a) Lennar Homes of California, LLC (“Developer”) currently owns Tentative Tract Map No. 20448 which is planned for 429 residential units (the “Project”) on approximately 41 gross acres of land.
- b) The Project lies within the jurisdictional boundaries of the City of Rialto (“City”), and Rialto Unified School District (“School District”).
- c) A vicinity map for the Project is attached as Exhibit A.
- d) The Developer proposes the formation of a Community Facilities District (“CFD”) encompassing the Project for the purpose of funding City facilities and fees, as further described below.
- e) The Project’s salient development milestones and target CFD related dates are set forth below:

Description	Estimated Date
Commencement of Mass Grading	3/6/2024
Recordation of 1 st Final “B” Map	9/9/2024
Model Home Opening	3/8/2025
Commencement of Sales to General Public	3/8/2025
1 st Home Closing Date	7/28/2025

CFD Formation	Target Dates
CFD Resolution of Intention	November 2024
CFD Resolution of Formation	January 2025

2. CFD Proposal

- a) This proposal anticipates the City will serve as the lead agency in the formation of a new CFD for the purpose of financing City improvements and impact fees. A detailed list and estimated cost of CFD improvements/fees proposed to be authorized is shown in Exhibit B.

-
- b) The estimated cost of the public improvements listed in Exhibit B is approximately equal to the estimated bond proceeds. If CFD bond proceeds are not sufficient to fund all of the authorized improvements and fees, the shortfall shall remain the Developer's responsibility.
 - c) It is envisioned that the CFD will be formed to solely encompass the Project, which would include 429 residential units configured in four separate (4) neighborhoods/improvement areas.
 - d) The annual CFD tax amounts when combined with all other property taxes applicable to the Project, including an anticipated City's Services CFD, have been established at 2.0% of the anticipated residential base home prices. The actual total tax rate may ultimately be lower based on higher values attributable to options, upgrades, and/or lot premiums included in the home sales price. Exhibit C outlines the Project's total property tax rates and annual CFD special tax rates that would apply under this proposal.
 - e) The CFD special tax is proposed to escalate by 2% annually. This "escalator" feature allows bonds to be issued with debt service that increases by 2% each year commensurate with the special tax. As such, the net bond proceeds generated using a "2% escalator" is more than otherwise possible with level debt service. In other words, it allows the Project to start out at a lower total tax rate with the same level of funding relative to no escalation.
 - f) Full or partial prepayment of the CFD special tax shall be permitted by any property owner (developer or homeowner) to provide options and flexibility.
 - g) CFD bonds will be sized based on 110 percent gross debt service coverage and up to \$35,000 for each proposed improvement areas in annual administrative expenses as a first priority of special tax collections. Annual administrative expenses in excess of the prioritized amount may be funded through the annual special tax levy, as well.
 - h) The CFD shall operate as an "Acquisition District". This means the public improvements shall be first constructed by the Developer through its own funding sources and then the CFD will reimburse Developer from CFD bond proceeds, to the extent available, for the actual cost incurred as verified by the City. The specific terms and conditions relating to bond issuance, bidding, construction, and reimbursement processing shall be set forth in a Funding & Acquisition Agreement to be entered into between City and Developer.
 - i) It is estimated that the CFD bonds will be issued as soon as the status of development meets current market bond underwriting criteria and following an appraisal indicating Project value of at least three (3) times the bond lien, consistent with the value-to-lien requirement of 3 to 1 or greater as set forth in the Mello-Roos Community Facilities Act.
 - j) In the event bonds have not been issued at the time Developer is required to pay CFD eligible impact fees applicable to the Project, the Developer shall be required to make a cash deposit in an amount equal to the City impact fees for such residential unit. After CFD bonds are issued, available funds would provide the Developer, or its successors, a credit against the applicable fee. Additionally, any eligible fees that are paid for by the Developer, or its successors, prior to the availability of CFD bond proceeds would be reimbursed when CFD bond proceeds become

available. The CFD shall only fund impact fees net of credits, if any, actually received by Developer.

- k) The Developer will make a deposit (“CFD Formation Deposit”) to the City in an amount sufficient to cover costs of the City and its consultants retained in connection with CFD formation. The CFD Formation Deposit shall be reimbursed to the Developer out of the Costs of Issuance at the time of bond issuance.

EXHIBIT A

Vicinity Map



NOT TO SCALE

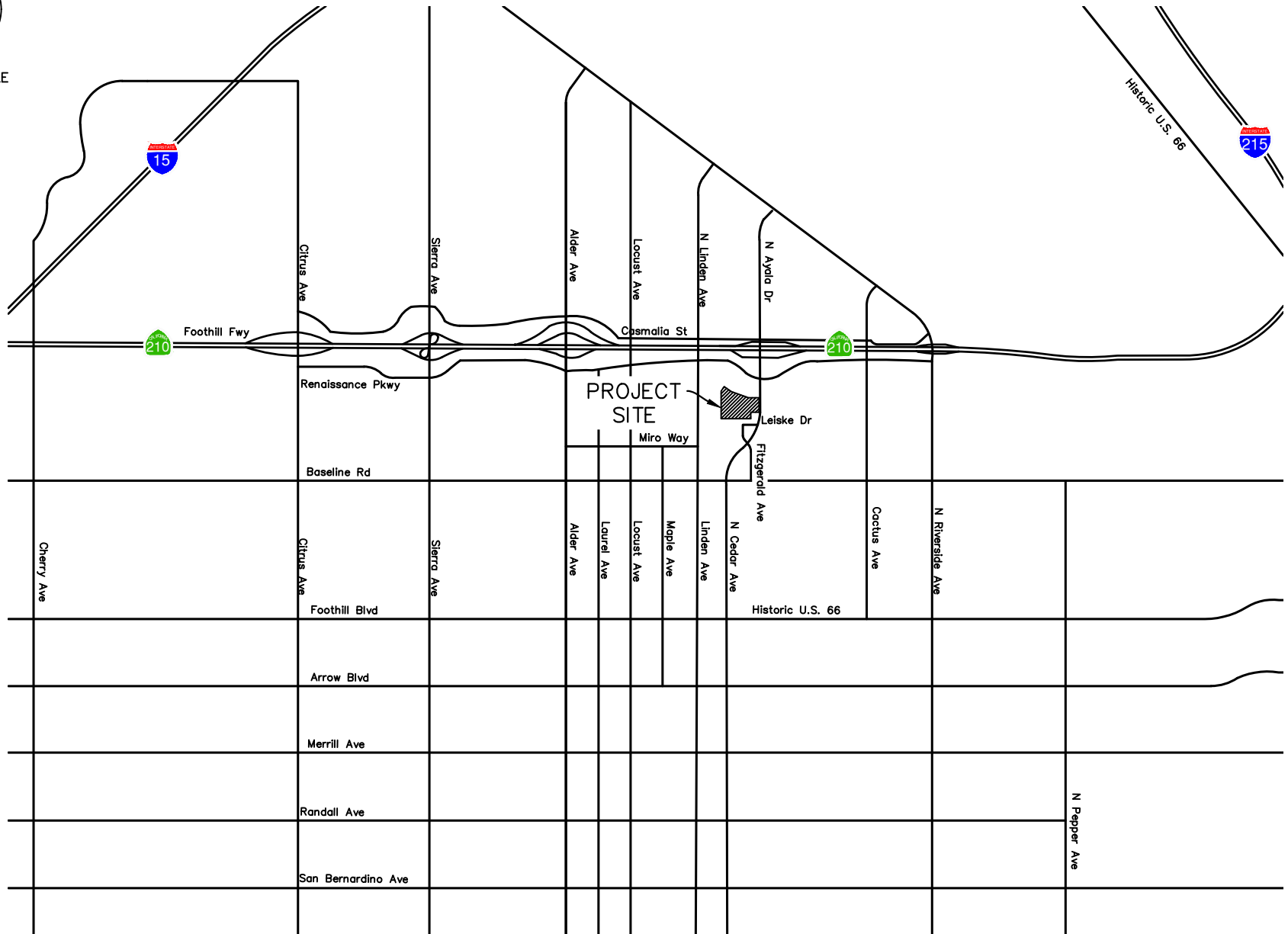


FIGURE 1
VICINITY MAP



Project Location Map



EXHIBIT B

CFD Facilities/Costs

Rialto Renaissance Project (TR #20448)
Eligible Facilities List
February 26, 2024

Preliminary Draft
429

Units:

<u>Improvements</u>	<u>Estimated Cost</u>
Public Storm Drain Improvements (Line "B")	\$ 1,350,000
	-
	-
Total Improvements	\$ 1,350,000

<u>Fees</u>	Per Unit	
Open Space	\$ 606.82	\$ 260,326
Street Medians	53.46	22,934
General Facilities	2,172.98	932,208
Library	388.47	166,654
Law Enforcement	1,542.65	661,797
Fire Facilities/Fire Protection	1,135.36	487,069
Storm Drain	4,241.93	1,819,788
Park Development / Quimby	6,515.17	2,795,008
Regional Traffic	3,533.00	1,515,657
Wastewater Collection	899.76	385,997
Wastewater Treatment	2,123.92	911,162
Water Facilities Fee (3/4" Meter)	3,352.07	1,438,038
RSP Traffic Mitigation Fee	407.97	175,019
<u>Alder/210 Freeway</u>	<u>380.00</u>	<u>163,020</u>
Subtotal Flat Fees	\$ 27,353.56	\$ 11,734,677
Renaissance Specific Plan Fee (Per Acre)	\$ 408.19	\$ 175,114
Total City Fees	\$ 27,762	\$ 11,909,791
Total Facilities (Improvements & Fees)	\$ 30,908.60	\$ 13,259,791

Note: Improvements cost estimate per provided proposal for Job 243D1309 Storm Drain Line "B". Fee estimate per provided "Exhibit J - Development Impact Fees" for Renaissance Residential.

EXHIBIT C

Effective Tax Rates

**City of Rialto - Rialto Renaissance
Land Use Information, Total Tax Rates, and Bond Sizing Analysis
February 27, 2024
Scenario 2 - Assumes 1.9% Total Tax Rate**

Preliminary Draft

LAND USE INFORMATION						TOTAL TAX RATE ANALYSIS							CFD BOND SIZING
Product	Zone	Units	House SqFt Range	Estimated Home Size	Estimated Home Price	Ad Valorem Tax Rate, 1.3208%	Other Fixed Charges, Assessments and Special Taxes	Estimated City of Rialto LLMD #2	City of Rialto 2016-1 CFD	Proposed City of Rialto CFD for Facilities	Total Tax per Unit	Total Tax Rate	Total Proposed CFD Facilities Tax Revenues
		(a)	(a)	(a)	(a)	(b)	(c)	(d)	(e)	(f)			
Liberty	1	27	<=1,500	1,470	\$ 523,900	\$ 6,920	\$ 6	\$ 550	\$ 448	\$ 2,050	\$ 9,973	1.90%	\$ 55,350
Liberty	1	28	1,501 - 1,650	1,638	533,900	7,052	6	550	448	2,100	10,155	1.90%	58,800
Liberty	1	28	1,651 - 1,800	1,791	542,900	7,171	6	550	448	2,150	10,324	1.90%	60,200
Total		83		1,635	533,683	\$ 7,049	\$ 6	\$ 550	\$ 448	\$ 2,101	\$ 10,153	1.90%	174,350
Summerfield	2	35	1,550 - 1,700	1,673	541,900	7,157	6	550	448	2,155	10,316	1.90%	75,425
Summerfield	2	35	1,701 - 1,850	1,788	548,900	7,250	6	550	448	2,150	10,403	1.90%	75,250
Summerfield	2	35	1,851 - 2,000	1,885	554,900	7,329	6	550	448	2,220	10,553	1.90%	77,700
Summerfield	2	35	1,851 - 2,000	1,896	557,900	7,369	6	550	448	2,220	10,592	1.90%	77,700
Total		140		1,811	550,900	\$ 7,276	\$ 6	\$ 550	\$ 448	\$ 2,186	\$ 10,466	1.90%	306,075
Split Drive	3	33	<=1,800	1,651	551,900	7,289	6	550	448	2,200	10,493	1.90%	72,600
Split Drive	3	34	1,751 - 1,800	1,761	558,900	7,382	6	550	448	2,250	10,636	1.90%	76,500
Split Drive	3	34	1,801 - 1,950	1,868	564,900	7,461	6	550	448	2,280	10,745	1.90%	77,520
Split Drive	3	34	>= 1,951	1,970	570,900	7,540	6	550	448	2,300	10,844	1.90%	78,200
Total		135		1,814	561,722	\$ 7,419	\$ 6	\$ 550	\$ 448	\$ 2,258	\$ 10,681	1.90%	304,820
Stonebrook	4	23	<=2,000	1,916	576,900	7,620	6	550	448	2,350	10,973	1.90%	54,050
Stonebrook	4	24	1,801 - 2,000	2,152	592,900	7,831	6	550	448	2,450	11,285	1.90%	58,800
Stonebrook	4	24	>=2,200	2,388	606,900	8,016	6	550	448	2,525	11,545	1.90%	60,600
Total		71		2,155	592,449	\$ 7,825	\$ 6	\$ 550	\$ 448	\$ 2,443	\$ 11,272	1.90%	173,450
Total		429		1,835	\$ 557,851	\$ 7,368	\$ 6	\$ 550	\$ 448	\$ 2,235	\$ 10,606	1.90%	\$ 958,695

Total Annual Special Taxes

Total Annual Special Taxes for Bonding (Annual CFD Revenues - \$30,000 Admin. Charge) ÷ 110% Coverage)

Bond Amount (30 year term, 2% annual escalation, 29 years amort.)

Underwriter Discount (1.25%)

Reserve Fund (Annual Debt Service)

Capitalized Interest (6 mos.)

Incidental Costs (Estimate)

Total Net Construction Proceeds

Total Net Construction Proceeds per Unit

5.50% IR	
\$	844,268
\$	15,054,271
	(225,814)
	(844,268)
	(413,992)
	(300,000)
\$	13,270,197
\$	30,933

Footnotes:

(a) Per developer, the unit count, house square foot range, estimated home size, and estimated home price is currently undetermined.

(b) Includes a 1.00% general tax levy plus the following:

A tax of 0.12000% is charged for fiscal year 2023-24 by the San Bernardino Valley Municipal Water District to pay debt service for outstanding bonds within the district.

A tax of 0.15560% is charged for fiscal year 2023-24 by the Rialto Unified School District to pay debt service for outstanding bonds within the district.

A tax of 0.04520% is charged for fiscal year 2023-24 by the San Bernardino Community College District to pay debt service for outstanding bonds.

(c) Includes the following estimated direct assessments:

County of San Bernardino annual assessment for FY 2023-24 of \$5.62 per unit to pay for vector disease control services.

A Solid Waste fee of \$408 is charged on the property tax bill, however, since this is typically a monthly charge of a utility billed directly to homeowners, it is not included when calculating the total tax rate of a CFD in Rialto.

(d) Represents the City of Rialto Landscape & Lighting Maintenance District No. 2 estimated annual assessment of \$550.00 per unit to pay for median & parkway landscaping and street lights.

** This charge is an estimate pending information regarding area of landscape areas in the development. The project is anticipated to have to annex into LLMD #2. Please also note that, per the City's email dated 8/15/2019, projects that annex into LLMD No. 2 will be removed*

(e) Represents the City of Rialto CFD 2016-1 maximum annual special taxes of \$447.99 to finance City public services including police, fire, paramedic, flood & storm protection, and maintenance of lighting, landscaping, roadways, and open space.

** The project is anticipated to be required to annex into the City of Rialto CFD 2016-1.*

(f) Represents the proposed special assessment for the proposed City of Rialto CFD to finance City of Rialto development impact fees.