



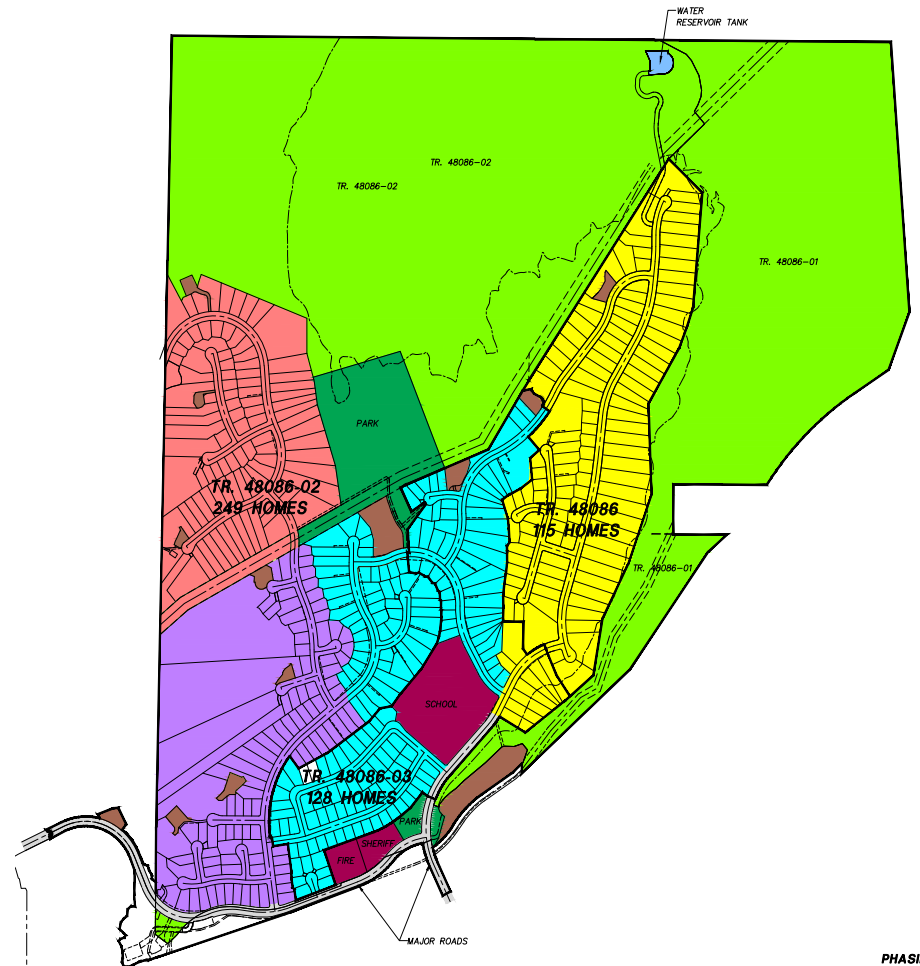
Spring Canyon CFD Update

August 16, 2021



Project Overview

- The Spring Canyon Project (“Project”) was initially approved in 2004 to allow for the development of 542 residential units on the 552-acre site.
- Subsequently, Pardee Homes acquired the Project at the end of 2006, but due to the last real estate recession, they transferred ownership of the Project back to the lender.
- Raintree Investment Corporation (“Developer”) acquired the Project in 2013 and has been processing the required entitlements to allow for development.
- In August 2019, the Developer recorded all four final maps for the Project subdividing the land into 492 residential lots.



PHASING

CFD Update / Request

- Last year, SCV Water joined the California Municipal Finance Authority (“CMFA”), allowing a Joint Community Facilities Agreement (“JCFA”) with CMFA, similar to a local agency sponsored CFD.
- CMFA would form the CFD under their program, “Bond Opportunities for Land Development” (“BOLD”); the benefit is that CMFA handles all matters related to the CFD such as the issuance of bonds and annual administration of the CFD.
- The JCFA will allow SCV Water to retain as much or as little control of the construction, inspection, and approval of the sewer and water facilities as they like and eliminate any ongoing financial and administrative responsibility typical of a CFD.
- This JCFA between the Developer and SCV Water provides a mutual solution to the Shadow Pines Lift Station, which serves an area larger than the Project.
- Total Project infrastructure costs are approximately \$150 million, total water/sewer/drainage improvements are nearly \$62 million, and SCVWA water improvements are roughly \$27.4 million.

CFD Update / Request (cont.)

- Before you tonight is a Deposit and Reimbursement Agreement as well as a draft Acquisition and Funding Agreement.
- The Deposit and Reimbursement Agreement requires Developer to fund \$70,000 to offset SCV Water costs associated with the BOLD program and CFD related expenses, with additional deposits in the amount of \$25,000 in the event the initial deposit dips below \$10,000.
- The Acquisition Funding Agreement provides for the financing of \$27.4 million in SCV Water infrastructure costs as well as the upgrades to the Shadow Pines Lift Station.
- The Developer is not asking for the funding of SCV Water fees or other related costs.
- The Developer requests that Finance Committee recommend approval of the draft Acquisition Funding Agreement and forward the agreement to the SCV Water Board of Directors for approval at the September 7, 2021, meeting.

Recap – Finance Committee Meetings

- The total cost for SCV Water improvements are approximately \$27.4 million (table below).
- These water projects would be a partnership with SCV Water and the Developer, benefiting rate payers by: (1) transferring the last of SCV Water’s sewer facilities to the City/County and (2) creating additional water storage and distribution facilities (improves service pressures, energy efficiency, and flexibility for system maintenance).

Improvement Projects (1)	Estimated Cost
Water Storage Tank	\$ 4,813,400
Pump Station	\$ 5,426,500
Upgrade to Shadow Pines Lift Station	\$ 7,000,000
Backbone Water	\$ 1,952,850
Mammoth Lane Waterline	\$ 1,560,200
Village I Water	\$ 584,800
Village II Water	\$ 938,400
Village III Water	\$ 1,047,200
Village IV Water	\$ 666,400
Village V Water	\$ 843,200
Village VI Water	\$ 1,278,400
Village VII Water	\$ 1,332,800
TOTAL COST	\$ 27,444,150

Source: Goodfellow Bros. Construction.

Footnote:

(1) The description of each Acquisition Improvement is general in nature. The scope and final description of each Acquisition Improvement shall be based upon the plans for it approved by the Agency, as necessary to serve the development within the CFD.

Preliminary CFD Analysis

Project Assumptions	Amount
Estimated W. Avg. Home Size (sf)	2,820
Estimated W. Avg. Base Home Price ⁽¹⁾	\$842,990
Ad Valorem Tax Rates	
General (1.0000%)	\$8,430
Sulphur Springs SD (0.0198%)	\$227
William S. Hart UHSD (0.0549%)	\$461
Santa Clarita Valley CCD (0.0295%)	\$342
Castaic Lake Water Agency (0.0706%)	\$595
Direct Charges ⁽²⁾	
Combined Existing Direct Charges	\$928
Proposed CFD Special Tax	\$3,645
Total Annual Property Taxes Collected	\$14,628
Property Taxes as % of Home Value	1.74%
Unit Mix	492
Total CFD Annual Tax Collections	\$1,793,407
Total Annual Special Taxes for Debt Service ⁽³⁾	\$1,607,643

Bond Assumptions	Amount
Bond Amount (30 Year Term)	\$33,050,000
Interest Rate ⁽¹⁾	4.50%
Underwriter's Discount (1.75%)	(\$578,375)
Capitalized Interest (1 Year)	(\$1,487,250)
Reserve Fund	(\$2,708,643)
Cost of Issuance	(\$826,250)
Total Net Construction Proceeds	\$27,449,482

Footnote:

(1) Conservative estimate; actual interest rates/yields will vary based on market conditions at time of sale.

Footnotes:

- (1) Home price is net of homeowner's exemption (\$7,000).
- (2) Direct charges include taxes and assessments for LA County parks and recreation, lighting district, solid waste services, library services, sanitation, fire services, mosquito abatement, sewer maintenance, drainage and trauma/emergency services.
- (3) Annual taxes reduced for annual administration fee (estimated to be \$25,000) and to provide 110% of debt service coverage.

Impact to Homebuyer

Effective Tax Rate

- The estimated effective tax rate for the CFD is estimated to be 1.74% of a home’s assessed value. The calculation accounts for current 2021 estimated home prices and conservative bond interest rate assumptions (since bonds will not be issued for a few years).
- Nearby projects generally have effective tax rates higher than what is anticipated for the Project (see table to the right).

Project	Effective Tax Rate
Skyline	1.61% - 1.67%
Aliento	1.73%
Five Knolls	1.88%
West Creek/West Hills	2.00% - 2.02%
River Village	1.89% - 2.25%
Villa Metro	1.93% - 2.04%

Source: Official Statements from transactions for other projects in the Project Area.

Homebuyer Benefit

- The costs of improvements would otherwise be passed on to homebuyers, increasing the sale price of homes. The benefit of the CFD to homebuyers is:
 - Reduces the amount of their mortgage,
 - Reduces cash required for a down payment, and
 - Lowers the income qualification threshold required for families to qualify for financing (debt to income ratio).
- The CFD does not affect homebuyer choice; they can choose to purchase an existing home that does not have a CFD tax or a new home in Spring Canyon.

CFD Highlights/FAQs

Benefits of a CMFA CFD

- Provides accelerated funding for public improvements without SCV Water assuming any financial or administrative burden.
- Existing rate payers do not pay cost of improvements; future homeowners mitigate the impact of the Project.

SCV Water Fiscal Impacts and Exposure

- No financial risk to SCV Water;
- Zero cost to SCV Water;
- No financial or administrative responsibility for SCV Water; and
- No impact to existing homeowners with SCV Water service who do not live in Spring Canyon.

Tax Bill Questions

- CMFA is on the tax bill. CMFA and the administrator's phone number will be listed for taxpayers to call if they have any questions regarding their tax bill.

Affect on SCV Water's Bonding Capacity

- There is no impact to SCV Water's bonding capacity. This is a stand-alone financing mechanism solely secured by this project, and CMFA will handle all CFD related issues.

Delinquent Taxes

- CMFA will be responsible for the collection of any delinquent taxes. SCV Water will not have any involvement, responsibility, or liability.

Benefit to SCV Water

- This CFD will help facilitate SCV Water's exit of the sewer business as Shadow Pines Lift Station is still operated by SCV Water.
- The Project makes significant improvements to the water system facilities at the end of the line, looping Zone 2 and 3 water systems.

CFDs and Other Water Agencies

- Numerous other water agencies in the State have used CFD financing to help fund needed infrastructure.

Next Steps / Questions