

# CITY OF PERRIS

*MINUTES:* City Council Work Session  
*Date of Meeting:* 09 April, 2002  
*Time of Meeting:* 4:00 p.m.  
*Place of Meeting:* City Council Chambers-City Hall

**1. CALL TO ORDER:**

*4:10 p.m. Called to Order*

**2. ROLL CALL:**

Council Members Present: Landers, Rogers, Busch

*Three Councilmembers Present*

Absent: Motte, Yarbrough

*Absent: Motte, Yarbrough*

Staff Members Present: City Manager Vasquez, Assistant City Manager Apodaca, City Attorney Dunn, Community Director Gutierrez, Finance Director Rogers-Elmore, City Engineer Motlagh, Public Services Director Owens, and City Clerk Rey

**3. PUBLIC COMMENT:** None

**4. WORK SESSION:**

- A. To review and discuss a proposed specific plan amendment for KB Home (May Farms) Development.

City Manager Vasquez said KB Home requested to revise the densities in the planning areas and make other revisions to parks and parkways. In addition Council would review community facilities district issues and possible amendments to the development agreement. Staff would give a detailed presentation and the workshop was intended to provide an opportunity for Council to ask questions; interact with the developer; and to prepare for the date/time when the specific plan would be presented to Council in a formal fashion.

*City Manager Vasquez's Introduction*

City Attorney Dunn commented that several months ago the process to create the Public Safety Community Facilities District was initiated to increase funding for a fire station in the north part of the City. There were several existing developments and the Public Safety CFD consisted of KB Home and Barratt. KB Home had a development agreement that dated back ten years and had been amended. They were to go forward and adopt their own CFD to pay for infrastructure. The Public Safety CFD was still in process and the election was scheduled for April 29<sup>th</sup>. Over the last few

*City Attorney Dunn's Introduction*

months there were discussions with Barratt where some concerns were resolved. Essentially, there were several problems in the Public Safety CFD; Infrastructure CFD; product type; development agreement terms; and the specific plan terms. Tonight Council and KB Home would try to resolve the concerns. The rescheduling of the Public Safety CFD election another month would allow staff and the developer to resolve specific plan and development agreement issues. If they participate in the Public Safety CFD then the amount of financing that did not pertain to bond issues would be reduced because there would be an increase in the special tax on housing. The City would like to create a source of funding for the fire station rather than on-going services provided by the Public Safety CFD to build a station; and street improvements were necessary (widening of Rider Street). The first thing was to have KB Home describe their revisions to their specific plan.

*Con't. City Attorney  
Dunn's Introduction*

Community Director Gutierrez commented that staff and developer had met several times to discuss the proposed changes. The developer filed the Specific Plan Amendment last Friday. Prior to going forward the changes were being presented to Council for input. The market KB Home expected was not present and large homes/large lots were not selling. Therefore, KB Home requested the reduction of lot sizes. There were also changes in the development standards and the circulation plan.

*Community Director  
Gutierrez's  
Introduction*

Mr. Mounts, KB Home Consultant, said the introductions outlined as to where KB Home was at in regards to the CFD and other issues related to the Specific Plan Amendment I May Farms (SPA-I) was processed in August, 2001. In that process Phase II was planned and a new product type was introduced. Specific Plan Amendment II served two purposes: 1) cleaned up issues related to land uses that required revisions from SPA-I such as parks and circulation issues; 2) incorporated the Fire CFD and revisions. The plan was approved for 3883 units in 1990 and SPA-I reduced the unit number to 3385. Proposed today was an amendment of 3320 units. Although density was increased in some areas, 65 reduced the overall number of units and changes were reflected in the staff report. The areas of change were:

*KB Home Consultant  
Mr. Mounts'  
Presentation*

- May Farms Phase II, bounded by Evans Road, Metropolitan Water District (MWD) Aqueduct, Bradley and Morgan. There were originally 167 half-acre lots approved with three tentative maps; anticipated the product would be introduced into Phase III;
- Proposal was to take Planning Areas 12 and 13 (Phase II B May Farms) and reduced lot size from 20,000 to 7,200 square feet (84 units/half-acre lots to 250 units/7200 square foot lots).
- Planning Area 16 and 19 (Phase V) originally 10,000 square foot lots to 6,000 square foot lots; 94 units to 123 units;
- New analysis was completed on the land use plan and applied to the rest of the specific plan and in some areas there were reduction in units;
- Planning Area 15 and 18 contained 7,000 square foot minimum lots, which were 70 x 100 square foot lots, and was a difficult configuration to build. It was proposed to change to 60 x 120 square foot lots/standard R-1 lot to an increase of 100 square feet;

- Planning Area 21 which was in the area of Phase III was proposed to change from a 4,500 square foot lot size to a 5,000;
- Reduction of 65 units even though there was an increase of the 7,200 lots in Phase II.

*Con't. KB Home  
Consultant Mr.  
Mounts' Presentation*

None of the land use, parks, commercial, multi-family, or the basic road configurations had changed, other than the elimination of the loop-road of May Ranch Parkway that went into Phase II and returned through Phase III connecting onto Rider Street. In evaluation of the internal circulation of the project and the cost of crossing the Metropolitan Water District's (MWD) Aqueduct the road became expensive. There was plenty of circulation and Rider Street would be realigned. There were no changes to parks, but there was an issue with MWD's Linear Park that needed to be addressed. There was a mechanism built into the plan and the development agreement as to how that would be administered if we were unable to acquire the rights from MWD to locate the linear park. Metropolitan Water District was resisting the park proposal, if so KB Home could locate another site in cooperation with the City to acquire. The existing park, located in Phase VI, may need to be relocated further north.

The Circulation Element was basically the same and was consistent with the entire City's standard in terms of circulation. There may be an issue on Bradley Road and it would be discussed.

#### CITY COUNCIL COMMENTS AND DISCUSSION:

Mayor Busch asked Mr. Mounts to elaborate on the changes to the 20,000 square foot lots and the elimination of some lots.

*Mayor Busch's  
Comment & Query*

Mr. Mounts commented the changes were an attempt to establish a new market segment for this area (May Farms). The product was built (18 units) and permits for the third phase were ready to pull. Pre-marketing had occurred since August of 2001 and to date there were seven net sales. Financially, it was very difficult for KB Home to move/sell all the way through with that product (20,000 sq. ft. lots) and this was the reason the 7,200 square foot lots were requested. The 7,200 square foot lots would give the target mark and gave a broad range of products. The same logic worked for the 10,000 square foot lots, which was similar in terms of a ranch type product.

*Mr. Mounts' Response*

Councilmember Landers suggested to put the approved half-acres on hold for a year and build on the smaller lots that would sell. The product may had been introduced too early.

*Councilmember  
Landers' Suggestion*

In response, Mr. Mounts said the infrastructure was there; money was put into the ground; sites graded; and a large expenditure existed that needed to match the cash flows with the revenues. We can not afford the financial commitment on a project this size. Remember this was planned twelve years ago; envisioned differently; and can not be afforded to hold development for two years.

*Mr. Mounts' Response*

In regards to the 10,000 square foot lots, Mr. Mounts said they had the same problem as the 7,200. Where you place it in the market segment would be above anything that could be readily solved. We hoped to submit tentative maps for Phase III and open as quickly as possible, because we want multiple lines of product to bring in buyers. In Planning Area 20-21 there would be 5,000 square foot lots with two-product type (two story).

*Mr. Mounts'  
Continued  
Presentation*

Mayor Pro Tem Rogers asked for the total units in the original May Farms proposal. It was confirmed the total was 167 units and would be cut in half.

*Mayor Pro Tem  
Rogers' Query*

Mayor Busch suggested to take the 5,000 lots to 6,000 square feet for more space.

*Mayor Busch's  
Suggestion*

Councilmember Landers commented that the lots from Bradley to Main Street were acre lots and suggested to increase those lot sizes.

*Councilmember  
Landers' Comments*

Mr. Mounts pointed out that the proposal was consistent with what was originally planned and the only change was the increase of lot size. The original May Farms was a mixture of 4,000-4,500 square foot lots that were increased to 20,000 and now requested to down size to 7,200 square foot lots. The width of MWD linear park varied (190-200 foot easement, which wandered through for the aqueduct). The development agreement had a mechanism that would address what to do in the event the linear park was not approved by Metropolitan Water District. The retention basin was designed as one large pipe system with one small retention base that was located at the southwest corner of Old Evans Road and Rider Street (three-acre basin/Planning Area 20). The basin would drain into the Perris Valley Storm Drain. He had spoken with the City in regards to utilize the basin as a park facility. Park Credit was not asked for; it was not determined how to utilize it; and it may be utilized the same as Metz Park.

*Mr. Mounts'  
Comments*

Mayor Busch commented the problem with Metz Park was the drainage, was not planned well and KB Home basin could be utilized as a catch basin.

*Mayor Busch's  
Comment*

City Attorney Dunn commented KB Home indicated the willingness to utilize the basin as a park, but you need to be careful as to what was placed there. They did not ask for Park Credits and it would solve a drainage problem for them.

*City Attorney Dunn's  
Comments*

In regards to feedback, Mr. Mounts indicated they spoke with the City in regards to town lots and neighborhood type things and the City was reluctant to take over maintenance responsibility. A Homeowners Association would be created. The basin may be large enough for the Park Department to maintain and included in the Landscape Maintenance District. The basin was about three acres and would be discussed.

*Mr. Mounts'  
Comments*

Mr. Shepherd, KB Home, said the rest of KB Home Division averaged about three sales a week. It was important to understand that this proposal was a change that was out of the normal program. Usually, KB Home did not start building until a home was sold. KB Home was vested in Perris and would be successful in the long run, but at this time it was off of the normal program.

*KB Home Mr. Shepherd's Comments.*

Mayor Pro Tem Rogers commented that was a fair commitment concerning not recapturing their investment.

*Mayor Pro Tem Rogers' Comment*

Mayor Busch asked would the developer return for other revisions if market took off and could not build fast enough.

*Mayor Busch's Queries*

In response, Mr. Shepherd, said he could not answer that, but the half-acre program was unique, risky, and was a decision that the L.A. Division made and thought it could work.

*KB Home Mr. Shepherd's Response*

City Manager Vasquez indicated that Councilmember Yarbrough wanted to express that he was anxious to move forward with the Public Safety CFD. The CFD had been worked on with KB Home for a few weeks and he believed there was an understanding made that was mutually beneficial. KB Home was of the understanding that the Public Safety CFD was going to impact their bonding capacity to the extent of \$3.5 Million. In order to be part of the CFD they needed to find a way to recapture that figure by trade-off. Trade-off looked at was to review the existing development agreement for reimbursement to the City as units were developed; and other planning issues that would impact the City financially.

*City Manager Vasquez's Comments*

City Attorney Dunn intervened and indicated the development agreement said it was \$1,000 per unit fee that the City put into the General Fund. It would be \$3.3 Million over the life of the whole development. The May Ranch Development was built as a CFD for that area; provided for improvements; paid \$1 Million in advance for the first thousand homes built. There were three hundred eighty units against the payment made to the City. They would not pay the \$1,000 per unit until they build another four hundred units. There was potentially \$2.3 Million in development agreement fees over the life of the project.

*City Attorney Dunn's Comments*

City Manager Vasquez said what was looked at was to give KB Home credit for dollars and in lieu they would give the City an advance of \$800,000 for the improvements and widening of Rider Street from Oleander Avenue to Ramona Expressway/Perris Boulevard.

*City Manager Vasquez's Comments*

In regards to the improvements, City Attorney Dunn said they would have to construct certain on-site improvements and this was outside/beyond the project. What was done was to create the Public Safety CFD that did impact their bonding capacity that would be utilized for infrastructure improvements. KB Home faced market realities; product did not sell; and requested revisions with the knowledge that Council was opposed to smaller lots. The potential source of funding was through the development agreement. The \$2.3 Million could be included and give \$1 Million as a

*City Attorney Dunn's Comments*

credit against the fee to off-set their CFD issue and then go forward with the Public Safety CFD. Then the City would get \$1.3 Million on paper; and it was discussed to give \$800,000 to aid in widening of Rider Street; and \$500,000 for construction of the fire station. Those kinds of things would prolong the project and other changes suggested would make the project acceptable.

*Con't. City Attorney  
Dunn's Comments*

City Manager Vasquez said with that they would sign the Public Safety CFD and become a participant in addition to the trade-off.

*City Manager  
Vasquez's Comment*

Therefore, Mayor Pro Tem Rogers said, then the City would get \$1.3 Million advance for the infrastructure.

*Mayor Pro Tem  
Rogers' Query*

In reply, City Manager Vasquez confirmed it was an advance of \$1.3 Million for infrastructure. When Rider Street and the fire station was ready to construct it would be credited to an account.

*City Manager  
Vasquez's Response*

City Attorney Dunn said the City was actually on the way to memorializing the Memorandum of Understanding. But, because KB Home was a corporate structure; there were many planning issues; and Council had never seen the MOU before, it would seem better to move action on the development agreement/specific plan forward one month in order to satisfy their corporate requirements.

*City Attorney Dunn's  
Comments*

Councilmember Landers asked if the widening of Rider Street was from Perris Boulevard to Ramona Expressway. Also, would the \$800,000 cover a bridge over the storm drain.

*Councilmember  
Landers' Query*

Mr. Mounts, KB Home understood the City spoke of widening the whole road (Rider Street) and KB Home spoke of Rider Street, from their project, west.

*KB Home Mr. Mounts'  
Comments*

City Attorney Dunn said widening would occur between Perris Boulevard and Ramona Expressway at \$800,000 and the Public Safety CFD went towards funding as on-going services. Rider Street was a huge need as well as the fire station. The \$500,000 was an arbitrary number and was one-fourth towards construction of a park.

*City Attorney Dunn's  
Comment*

In regards to Rider Street, City Engineer Motlagh said it had two lanes and the City had spent \$300,000 two years ago on improvements. Improvement of the channel would be the first focus. To build a bridge was in the millions, but the reason we could not build a bridge was because the fate of the Perris Valley Channel was in negotiations as well as San Jacinto River by the Multi-Species Habitat Conservation Program. There were other options to find funding resources to increase the width of Rider Street and construct a bridge.

*City Engineer  
Motlagh's Comments*

Community Director Gutierrez pointed out an item on the City Council Agenda that included the mitigation of fire fee that was intended to raise revenue to construct the fire station. But, in the report it was indicated that it would not collect the \$2 Million required and this would be one means to get that. This would be non-fee-generated revenue towards the \$2 Million construction cost of the fire station.

*Community Director  
Gutierrez's Comment*

City Attorney Dunn said KB Home would pay \$431 on each of their units constructed under the new proposal. The City's old fee was at \$54 per unit.

*City Attorney Dunn's  
Comment*

Mr. Mounts said other benefits would be the additional revenue for the units that were proposed and more would be generated for the operating expense in addition to the \$5 Million for the fire station.

*KB Home Mr. Mounts'  
Comments*

City Manager Vasquez said Council may want to put all that towards Rider Street and river and forego the fire station. Therefore, we would not have to be precise in designating where that money should go; it would go to one or the other.

*City Manager  
Vasquez's Comments*

City Attorney Dunn said the main points of the MOU were discussed; there were additional points of extending the tentative maps out to the length of the development agreement. The existing agreement had a five-year cap and a seven-year cap on infrastructure fees and existing fees and did not include the County fees, TUMF fees, etc. There was the potential that fees would be increased. At this point the fire fees would be addressed and at General Plan Amendment other fees would be reviewed.

*City Attorney Dunn's  
Comments*

Mayor Pro Tem Rogers asked if the item on the Consent Calendar included everything reviewed in this workshop or was it the old thing without the new.

*Mayor Pro Tem  
Rogers' Query*

In response, City Attorney Dunn said the item was what had been discussed in the last few weeks and memorialized; it was non-binding and would be requested to be removed from the Consent Calendar. There was a document that laid out those points of the Consent Calendar item. The workshop was to receive feedback on how this looked.

*City Attorney Dunn's  
Response*

Mr. Mounts, KB Home said the 7,200 square foot lots was one of the clear points of the MOU. KB Home was assuming the Fire CFD and accelerating to \$1.3 Million that would be paid over the life of the project. Therefore, we look for the \$800,000 being accelerated to next year; the \$500,000 in two years when the City received funding; and hoped to sell homes at two a week and pay the \$431 per unit.

*KB Home Mr. Mounts'  
Comments*

Mr. Shepherd, KB Home said there were two more points to emphasize: 1) no additional off-site infrastructure requirements outside of what was already addressed; and 2) extension of Rider Street from Evans Road to Perris Boulevard. It was understood that within the tentative maps it could be negotiated and the second point was that there was not much discussion in terms of entitlements, expediting, and agreed upon schedule for tentative maps and engineering for plan check reviews. These two points would

*KB Home Mr.  
Shepherd's Comments*

complete our review of points where we could make a vote of yes on the fire station this upcoming June.

*Con't. KB Home Mr. Shepherd's Comments*

In response, City Attorney Dunn said expediting was one thing the City always did and in response to the one other point it would be difficult to know future off-site improvements. If you came back with a different project and there was another map, how would you know.

*City Attorney Dunn's Response*

Mr. Shepherd, KB Home, said he tried to clarify that point and the thing talked about was going back to what the original specific plan was and what the infrastructure was. The project was approved at almost 3900 units when all of 3300 were proposed to be built; we did not need more infrastructure and should be okay with what proposed. We just wanted to be sure that was the case; and to know what the infrastructure cost was on this project going forward. If we were to remain with the same specific plan, circulation element and know number of units to be built, then what would our infrastructure cost be.

*KB Home Mr. Shepherd's Comments*

City Attorney Dunn said both sides realized that the development agreement was reviewed and there were obviously details to work out. Any comments, feedback or direction given by Council would be helpful.

*City Attorney Dunn's Comments*

Mr. Mounts indicated that KB Home owned 300 acres at the bottom of the San Jacinto River, which was adjacent to the City Limits. KB Home along with other property owners tried to resolve issues of the river and intended to submit a revised plan to the agencies.

*KB Home Mr. Mounts' Comment*

5. **ADJOURNMENT:** By unanimous consent the City Council Workshop was adjourned at 5:30 p.m.

*5:30 p.m. City Council Workshop Adjourned*

Respectfully Submitted,

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Margaret Rey, City Clerk