RESOLUTION NO. 2019-031

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHINO, CALIFORNIA, DECLARING ITS INTENTION TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2019-1 (THE LANDINGS) OF THE CITY OF CHINO, TO AUTHORIZE THE LEVY OF A SPECIAL TAX TO PAY THE COST OF ACQUIRING OR CONSTRUCTING CERTAIN PUBLIC FACILITIES AND PAYING FOR CERTAIN INCIDENTAL EXPENSES AND TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS

WHEREAS, in accordance with Sections 53318 and 53319 of the Mello-Roos Community Facilities Act of 1982, as amended, comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), the City of Chino (the “City”) has received a petition from Lennar Homes of California, Inc., a California corporation (the “Owner”), the owner of all of the territory described in Exhibit A attached hereto (the “Property”), requesting the City establish Community Facilities District No. 2019-1 (the “Landings”) of the City of Chino (the “Community Facilities District”) to finance (1) the purchase, construction, expansion, improvement or rehabilitation of the public facilities described in Exhibit B hereto (which attachment is incorporated herein by this reference), including all furnishings, equipment and supplies related thereto (collectively, the “Facilities”), which Facilities have a useful life of five years or longer and (2) the incidental expenses to be incurred in connection with financing the Facilities, and forming and administering the Community Facilities District (the “Incidental Expenses”); and

WHEREAS, the City Council of the City (the “City Council”), acting as the legislative body of the Community Facilities District, further intends to approve an estimate of the costs of the Facilities and the Incidental Expenses for the Community Facilities District; and

WHEREAS, it is the intention of the City Council to consider financing the Facilities and the Incidental Expenses through the formation of the Community Facilities District, and the sale of bonds in an amount not to exceed $11,000,000 (the “Obligations”) and the levy of a special tax to pay debt service on the Obligations, provided that the bond sale and special tax levy are approved at elections to be held for the Community Facilities District; and

WHEREAS, the City and Owner desire to finance certain Facilities through the execution and delivery of an acquisition agreement, by and between the City, acting for itself and on behalf of the Community Facilities District, and the Owner dated as of June 1, 2019 (the “Acquisition Agreement”); and

WHEREAS, the form of such Acquisition Agreement has been presented to this City Council for approval;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF CHINO AS FOLLOWS:

Section 1. Intention. The City Council declares its intention to conduct proceedings pursuant to the Act for the establishment of the Community Facilities District with boundaries coterminous with the Property. It is further proposed that the boundaries of the Community Facilities District shall be the legal boundaries as described in Exhibit A hereto which boundaries shall, upon recordation of the boundary map for the Community Facilities District,
include the entirety of any parcel subject to taxation by Community Facilities District, except where indicated on the boundary map, and as depicted on the boundary map of the Community Facilities District which is on file with the City Clerk. The City Clerk is hereby directed to sign the original boundary map of the Community Facilities District and record it with all proper endorsements thereon with the County Recorder of the County of San Bernardino within 15 days after the adoption of this resolution, all as required by Section 3111 of the Streets and Highways Code of the State of California.

Section 2. Name of the Community Facilities District. The name of the proposed Community Facilities District shall be “Community Facilities District No. 2019-1 (The Landings) of the City of Chino.”

Section 3. Types of Facilities to be Financed by the Community Facilities District. The Facilities proposed to be provided within the Community Facilities District are public facilities as defined in the Act. The City Council hereby finds and determines that the description of the Facilities and Incidental Expenses herein is sufficiently informative to allow taxpayers within the Community Facilities District to understand what the funds of the Community Facilities District may be used to finance, the Facilities and Incidental Expenses expected to be incurred, including the cost of planning and designing the Facilities, the costs of forming the Community Facilities District, issuing bonds, levying and collecting a special tax and the annual administration costs of the Community Facilities District. The City Council hereby finds that the proposed Facilities are necessary to meet increased demands placed upon the City as a result of development occurring in the Community Facilities District. The Facilities may be acquired from one or more of the property owners as completed public facilities or may be constructed by or on behalf of the City and paid for with bond proceeds and special taxes. Any portion of the Facilities may be financed through a lease or lease-purchase arrangement if the City hereafter determines that such arrangement is of benefit to the City.

Section 4. Special Taxes. Except where funds are otherwise available, it is the intention of the City Council to levy annually in accordance with the procedures contained in the Act a special tax, secured by a continuing lien against all non-exempt real property in the Community Facilities District, sufficient to pay for the Facilities and Incidental Expenses and the principal and interest and other periodic costs on bonds or other indebtedness issued to finance the Facilities and Incidental Expenses, including the establishment and replenishment of any reserve funds deemed necessary by the City, and any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash) attributable to the Community Facilities District. The rate and method of apportionment and manner of collection of the special tax in the Community Facilities District is described in detail in Exhibit C attached hereto (which attachment is incorporated herein by this reference). Exhibit C allows each landowner within the Community Facilities District to estimate the maximum amount of special taxes that may be levied against each parcel.

If special taxes of the Community Facilities District are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased except to the extent permitted in the rate and method, (ii) such tax shall not be levied later than the 2059-60 Fiscal Year and (iii) under no circumstances shall such special tax in the Community Facilities District be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the Community Facilities District by more than ten percent (10%) above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.
The special tax is based on the expected demand that each parcel of real property within the Community Facilities District will place on the Facilities. The City Council hereby determines the rate and method of apportionment of the special tax set forth in Exhibit C to be reasonable. The special tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act; and such special tax is not on or based upon the value or ownership of real property. In the event that a portion of the property within the Community Facilities District shall become for any reason exempt, wholly or partially, from the levy of the special tax specified in Exhibit C, the City Council shall, on behalf of the Community Facilities District, cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Exhibit C, to the extent necessary upon the remaining property within the Community Facilities District which is not exempt in order to yield the special tax revenues required for the purposes described in this Section. The obligation to pay special taxes may be prepaid as provided in the rate and method of apportionment set forth in Exhibit C, as such rate and method may be amended hereafter.

Section 5. Public Hearing. A combined public hearing (the “Hearing”) on the establishment of the Community Facilities District, the proposed rate and method of apportionment of the special tax and the proposed issuance of bonds to finance the Facilities and the Incidental Expenses shall be held at 7 p.m., or as soon thereafter as practicable, on August 7, 2019, at the City Council’s Chambers, 13220 Central Avenue, Chino, California. If the City Council determines to form the Community Facilities District, a special election will be held to authorize the issuance of the bonds and the levy of the special tax in accordance with the procedures contained in Government Code Section 53326. If such election is held, the proposed voting procedure at the election will be a landowner vote with each landowner who is the owner of record of land within the Community Facilities District at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within the Community Facilities District. Ballots for the special election may be distributed by mail or by personal service.

At the time and place set forth above for the Hearing, the City Council will receive testimony as to whether the Community Facilities District shall be established and whether special taxes shall be levied in accordance with the proposed method of apportionment of the special tax, and whether Obligations shall be issued to finance Facilities and Incidental Expenses of the Community Facilities District.

At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within the Community Facilities District, may appear and be heard.

Section 6. Notice. The City Clerk is hereby authorized and directed to publish a notice (the “Notice”) of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the Community Facilities District. The City Clerk is further authorized and directed to mail a copy of the Notice to each of the landowners within the boundaries of the Community Facilities District at least 15 days prior to the Hearing. The Notice shall contain the text or a summary of this Resolution, the time and place of the Hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters and landowners in the Community Facilities District and a description of the proposed voting procedure for the election required by the Act. Such publication shall be completed at least seven (7) days prior to the date of the Hearing.
Section 7. Reports re Facilities. Each City officer who is or will be responsible for providing the Facilities within the Community Facilities District, if it is established, is hereby directed to study the Community Facilities District and, at or before the time of the Hearing, file a report with the City Council containing a brief description of the public facilities by type which will in his or her opinion be required to meet adequately the needs of the Community Facilities District and an estimate of the cost of providing those public facilities.

Section 8. Advance of Funds. The City may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying any cost incurred by the City in creating the Community Facilities District. The City may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the City Council, with or without interest.

Section 9. Maximum Bonded Indebtedness. The reasonably expected maximum principal amount of the Obligations is Eleven Million Dollars ($11,000,000).

Section 10. Approval of Form of Acquisition Agreement. The form of the Acquisition Agreement presented at this meeting is hereby approved; and any one of the Mayor, City Manager or Director of Finance of the City (collectively, the “Authorized Officers”) and attested to by the City Clerk, is hereby authorized and directed to execute the Acquisition Agreement substantially in the form presented at this meeting, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of such Acquisition Agreement.

Section 11. Reservation of Rights. Except to the extent limited in any bond resolution or trust indenture related to the issuance of bonds, the City Council hereby reserves to itself all rights and powers set forth in Section 53344.1 of the Act (relating to tenders in full or partial payment).

Section 12. This Resolution shall be effective upon its adoption.
PASSED AND ADOPTED by the City Council at a regular meeting held on the 18th day of June 2019.

FOR THE CITY OF CHINO:

By:__________________________________
Eunice M. Ulloa
Mayor

ATTEST:

__________________________________
Angela Robles
City Clerk

STATE OF CALIFORNIA )
COUNTY OF SAN BERNARDINO )ss.
CITY OF CHINO )

I, ANGELA ROBLES, City Clerk of the City of Chino, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Chino at a regular meeting held on the 18th day of June 2019, by the following votes:

AYES: COUNCIL MEMBERS
NOES: COUNCIL MEMBERS
ABSENT: COUNCIL MEMBERS

ANGELA ROBLES, CITY CLERK

Attachments: Exhibits A, B and C
EXHIBIT A

DESCRIPTION OF THE PROPERTY TO BE INCLUDED WITHIN THE PROPOSED COMMUNITY FACILITIES DISTRICT
EXHIBIT B

DESCRIPTION OF PUBLIC FACILITIES AND SERVICES

TYPES OF PUBLIC FACILITIES

The types of Facilities that are proposed by CFD No. 2019-1 and financed with the proceeds of special taxes and bonds issued by CFD No. 2019-1 consist of backbone infrastructure needed for new development, such as roadway, bridge, sewer, water, reclaimed water, storm drain, street and parkway landscaping, curb and gutter, medians, median landscaping, traffic signals, entry signage, parks, trails, fire facilities, library facilities and public community facilities, and appurtenances and appurtenant work, and development impact fees that are used by the City to construct infrastructure, including any other facilities that are necessary for development of the property within the boundaries of CFD No. 2019-1.

The description of Facilities described above is general in nature. The final nature and location of the Facilities will be determined upon preparation of final plans and specifications.
EXHIBIT C

RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2019-1
(THE LANDINGS) OF THE CITY OF CHINO

The following sets forth the Rate and Method of Apportionment for the levy and collection of Annual Special Tax A of Community Facilities District No. 2019-1 (The Landings) of the City of Chino (“CFD No. 2019-1”). An Annual Special Tax A shall be levied on and collected in CFD No. 2019-1 each Fiscal Year, in an amount determined through the application of this Rate and Method of Apportionment described below. All of the real property within CFD No. 2019-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Acquisition Agreement” means the Acquisition Agreement by and between the City and Lennar Homes of California, Inc., relating to CFD No. 2019-1, as it may be amended.

“Acre” or “Acreage” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on the Assessor’s Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area shall be calculated by the Administrator or City Engineer.


“Administrative Expenses” means any ordinary and necessary expenses allocable to the Special Tax A Requirement which are incurred by the City on behalf of CFD No. 2019-1 related to the determination of the amount of the levy of Special Tax A, the collection of Special Tax A including the expenses of collecting delinquencies, the administration of Bonds, the payment of that portion of salaries and benefits of any City employees attributable to the administration of CFD No. 2019-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2019-1.

“Administrator” means an official of the City, or designee thereof, responsible for, among other things, determining the annual amount of the levy and collection of the Special Tax A.

“Annual Special Tax A” means for each Assessor’s Parcel, the Special Tax A actually levied in a given Fiscal Year on such Assessor’s Parcel.

“Approved Property” means all Assessor’s Parcels of Taxable Property other than Provisional Undeveloped Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax A is being levied, and (ii) that have not been issued a building permit on or before March 1st preceding the Fiscal Year in which the Special Tax A is being levied.
“Assessor’s Parcel” means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 2019-1.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel Number.

“Assessor’s Parcel Number” means that number assigned to a lot or parcel of land by the County Assessor for purposes of identification.

“Assigned Annual Special Tax A” means the Special Tax A of that name described in Section D below.

“Backup Annual Special Tax A” means the Special Tax A of that name described in Section E below.

“Bonds” means those bonds or any other debt issued by or on behalf of CFD No. 2019-1, or any refunding thereof, to which Special Tax A within CFD No. 2019-1 has been pledged.

“Boundary Map” means a recorded map of the CFD No. 2019-1 which indicates the boundaries of CFD No. 2019-1.

“Building Square Footage” or “BSF” means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor’s Parcel and subject to verification by the City.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD No. 2019-1” means Community Facilities District No. 2019-1 (The Landings) of the City of Chino established by the City under the Act.

“City” means the City of Chino, or its designee.

“City Council” means the City Council of the City of Chino, acting as the legislative body of CFD No. 2019-1.

“County” means the County of San Bernardino.

“Developed Property” means all Assessor’s Parcels of Taxable Property other than Provisional Undeveloped Property that: (i) are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which Special Tax A is being levied, and (ii) a building permit was issued on or before March 1st preceding the Fiscal Year in which the Special Tax A is being levied.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Tax A as provided for in Section J.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code
that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period commencing July 1 of any year and ending the following June 30.

“Land Use Type” means Residential Property, Multifamily Residential Property, or Non-Residential Property.

“Maximum Special Tax A” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax A, determined in accordance with Section C that can be levied in any given Fiscal Year on such Assessor’s Parcel.

“Multifamily Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached Dwelling Units available for rental by the general public, not for sale to an end user, and under common management, as determined by the Administrator.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax A obligation for an Assessor’s Parcel, as described in Section H.

“Prepayment Amount” means the amount required to prepay the Special Tax A obligation in full for an Assessor’s Parcel, as described in Section G.

“Proportionately” means for Special Tax A that the ratio of the Annual Special Tax A levy to the applicable Assigned Annual Special Tax A is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Annual Special Tax A under Step Four of Section F, “Proportionately” means that the quotient of (a) Annual Special Tax A less the Assigned Annual Special Tax A divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax A, is equal for all applicable Assessor’s Parcels.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Taxable Property subject to Special Tax A that would otherwise be classified as Exempt Property pursuant to the provisions of Section J, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within the applicable Zone below the required minimum Acreage set forth in Section J.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units, which is not Multifamily Residential Property.

“Special Tax A” means any of the special taxes authorized to be levied on Taxable Property within CFD No. 2019-1 pursuant to the Act to fund the Special Tax A Requirement.

“Special Tax A Requirement” means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any
amount required to establish or replenish any reserve funds established in association with the Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2019-1 by the levy on Developed Property of the Assigned Annual Special Tax A, as required by the Acquisition Agreement provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Two and Three of Section F, less (vi) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable fiscal agent agreement, or trust agreement.

“Taxable Property” means all Assessor’s Parcels within CFD No. 2019-1 that are not Exempt Property.

“Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Undeveloped Property.

“Unit” means any residential structure.

“Zone(s)” means Zone 1 or Zone 2 as geographically identified on the Boundary Map of CFD No. 2019-1.

“Zone 1” means the specific area identified on the Boundary Map as Zone 1 of CFD No. 2019-1, which is planned to consist of lots 107 through 122 of tract number 20008.

“Zone 2” means the specific area identified on the Boundary Map as Zone 2 of CFD No. 2019-1, which is planned to consist of lots 1 through 106 of tract number 20008.

SECTION B
CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2019-2020, each Assessor’s Parcel within CFD No. 2019-1 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property, or Provisional Undeveloped Property. Each Assessor’s Parcel of Developed Property, Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be classified as being within Zone 1 or Zone 2. In addition, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property.

SECTION C
MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.
2. **Approved Property, Undeveloped Property, and Provisional Undeveloped Property**

The Maximum Special Tax A for each Assessor’s Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax A.

**SECTION D**

**ASSIGNED ANNUAL SPECIAL TAX A**

1. **Developed Property**

Each Fiscal Year, each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax A.

The Assigned Annual Special Tax A applicable to an Assessor’s Parcel of Developed Property shall be determined using the Tables below.

**TABLE 1**

**ASSIGNED ANNUAL SPECIAL TAX A**

**FOR DEVELOPED PROPERTY WITHIN ZONE 1**

<table>
<thead>
<tr>
<th>Land Use Type</th>
<th>Building Square Footage</th>
<th>Assigned Annual Special Tax A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Property</td>
<td>Less than 1,350</td>
<td>$2,880 per Unit</td>
</tr>
<tr>
<td>Residential Property</td>
<td>1,350 – 1,549</td>
<td>$2,930 per Unit</td>
</tr>
<tr>
<td>Residential Property</td>
<td>1,550 or Greater</td>
<td>$2,980 per Unit</td>
</tr>
<tr>
<td>Multifamily Residential Property</td>
<td>N/A</td>
<td>$71,412 per Acre</td>
</tr>
<tr>
<td>Non-Residential Property</td>
<td>N/A</td>
<td>$71,412 per Acre</td>
</tr>
</tbody>
</table>

**TABLE 2**

**ASSIGNED ANNUAL SPECIAL TAX A**

**FOR DEVELOPED PROPERTY WITHIN ZONE 2**

<table>
<thead>
<tr>
<th>Land Use Type</th>
<th>Building Square Footage</th>
<th>Assigned Annual Special Tax A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Property</td>
<td>Less than 2,200</td>
<td>$3,740 per Unit</td>
</tr>
<tr>
<td>Residential Property</td>
<td>2,200 – 2,399</td>
<td>$3,840 per Unit</td>
</tr>
<tr>
<td>Residential Property</td>
<td>2,400 or Greater</td>
<td>$3,940 per Unit</td>
</tr>
<tr>
<td>Multifamily Residential Property</td>
<td>N/A</td>
<td>$50,127 per Acre</td>
</tr>
<tr>
<td>Non-Residential Property</td>
<td>N/A</td>
<td>$50,127 per Acre</td>
</tr>
</tbody>
</table>

2. **Approved Property, Undeveloped Property and Provisional Undeveloped Property**

Each Fiscal Year, each Assessor’s Parcel of Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be subject to an Assigned Annual Special Tax A. The Assigned Annual Special Tax A rate for an Assessor’s Parcel classified as Approved Property, Undeveloped Property or Provisional Undeveloped Property shall be determined pursuant to Table 3 below:
TABLE 3
ASSIGNED ANNUAL SPECIAL TAX A
FOR APPROVED PROPERTY, UNDEVELOPED PROPERTY,
AND PROVISIONAL UNDEVELOPED PROPERTY

<table>
<thead>
<tr>
<th>Zone</th>
<th>Assigned Annual Special Tax A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone 1</td>
<td>$71,412 per Acre</td>
</tr>
<tr>
<td>Zone 2</td>
<td>$50,127 per Acre</td>
</tr>
</tbody>
</table>

SECTION E
BACKUP ANNUAL SPECIAL TAX A

At the time a Final Map is recorded, the Administrator shall determine which Zone or Zones the Final Map area lies within and the Backup Annual Special Tax A for all Assessor’s Parcels classified or reasonably expected to be classified as Residential Property within such Final Map area shall be determined by multiplying the Maximum Special Tax A rate for Undeveloped Property for the applicable Zone by the total Acreage of Taxable Property for such Zone in such Final Map, excluding the Provisional Undeveloped Property Acreage, Multifamily Residential Property, and/or Non-Residential Property Acreage if any, in such Final Map and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor’s Parcels of Residential Property of the applicable Zone in such Final Map.

The Backup Annual Special Tax A for Multifamily Residential Property and Non-Residential Property shall be its Annual Assigned Special Tax A rate.

Notwithstanding the foregoing, if Assessor’s Parcels which are classified or to be classified as Residential Property, Non-Residential, or Multifamily Property are subsequently changed by recordation of a lot line adjustment, Final Map amendment, new Final Map or similar instrument, then the Backup Annual Special Tax A shall be recalculated within the area that has been changed to equal the amount of Backup Annual Special Tax A that would have been generated if such change did not take place.

The Backup Annual Special Tax A for an Assessor’s Parcel whose boundaries are not modified shall not be changed.

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX A

Commencing Fiscal Year 2019-2020 and for each subsequent Fiscal Year, the City Council shall levy Annual Special Tax A in accordance with the following steps:

Step One: The Annual Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax A in Table 1 and Table 2 to satisfy the Special Tax A Requirement.

Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Approved Property at up to 100%
of the applicable Assigned Annual Special Tax A to satisfy the Special Tax A Requirement.

Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax A for Undeveloped Property applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax A Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Annual Special Tax A on each Assessor’s Parcel of Developed Property for which the Maximum Special Tax A is the Backup Annual Special Tax A shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor’s Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax A applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax A Requirement.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX A

The following definition applies to this Section G:

“Outstanding Bonds” means all previously issued Bonds issued and secured by the levy of Special Tax A which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Tax A.

Prepayment in Full.

The Special Tax A obligation of an Assessor’s Parcel of Developed Property, an Assessor’s Parcel of Approved Property, an Assessor’s Parcel of Undeveloped Property, and an Assessor’s Parcel of Provisional Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Tax A, penalties, or interest charges outstanding with respect to such Assessor’s Parcel at the time the Special Tax A obligation would be prepaid. The Prepayment Amount for an Assessor’s Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor’s Parcel intending to prepay the Special Tax A obligation shall provide the City with written notice of intent to prepay, and within 5 days of receipt of such notice, the City shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2019-1 in calculating the proper amount of a prepayment. Within 15 business days of receipt of such non-refundable deposit, the City shall notify such owner of the Prepayment Amount of such Assessor’s Parcel.
The Prepayment Amount for each applicable Assessor’s Parcel shall be calculated according to
the following formula (capitalized terms defined below):

\[
\text{Payoff Amount} \quad \text{plus} \quad \text{Administrative Fee} = \text{Prepayment Amount}
\]

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For an Assessor’s Parcel of Developed Property and Provisional Undeveloped Property, compute the Assigned Annual Special Tax applicable to the Assessor’s Parcel. For an Assessor’s Parcel of Approved Property, compute the Assigned Annual Special Tax as though it was already designated as Developed Property based upon the building permit issued or expected to be issued for that Assessor’s Parcel. For an Assessor’s Parcel of Undeveloped Property compute the Assigned Annual Special Tax as though it was already designated as Developed Property based upon the building permit issued or expected to be issued for that Assessor’s Parcel.

For each Assessor’s Parcel of Developed Property, Approved Property, Undeveloped Property, or Provisional Undeveloped Property for which the Special Tax is to be prepaid, compute the present value of the remaining Annual Assigned Special Tax payments using a discount rate that is equal to the weighted average interest rate on the Outstanding Bonds and the remaining term of the Outstanding Bonds determined by a Financial Advisor selected by the City. For any prepayment that occurs prior to the first issuance of Bonds, the discount rate used in this calculation shall be 6.0% and the term shall be the lesser of thirty (30) years or the number of remaining years in which the Special Tax may be levied as provided in Section 1. This is the “Payoff Amount.”

2. For each Assessor’s Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property to be prepaid, divide the Assigned Annual Special Tax computed pursuant to the first paragraph in paragraph 1 of this Section G for such Assessor’s Parcel by the sum of the estimated Assigned Annual Special Tax applicable to all Assessor’s Parcels of Taxable Property at build out, as reasonably determined by the Administrator.

3. Multiply the quotient computed pursuant to paragraph 2 by the Outstanding Bonds. The product shall be the “Bond Redemption Amount”.

4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the “Redemption Premium.”
5. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Bonds.

6. Determine the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium in State and Local Government Series Treasury Obligations until the earliest call date for the Outstanding Bonds.

7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the “Defeasance Cost.”

8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the “Administrative Fee.”

9. Calculate the “Reserve Fund Credit” as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than zero.

10. The “Amount to Call Bonds” is equal to the sum of the Bond Redemption Amount, the Redemption Premium, and the Defeasance Cost, less the Reserve Fund Credit (the Amount to Call Bonds will be transferred to the debt service fund and used to defease or call Bonds).

11. The Prepayment Amount is the sum of the Payoff Amount and the Administrative Fee.

12. From the Prepayment Amount, the Amount to Call Bonds will be transferred to the debt service fund and used to defease or call Bonds pursuant to the fiscal agent agreement or escrow agreement; the Administrative Fee will be transferred to the Administrative Fund or functionally equivalent fund or account pursuant to the fiscal agent agreement and used to pay administrative expenses; the remainder will be transferred to the “Improvement Fund” or functionally equivalent fund or account held by the fiscal agent or the City and used pursuant to the fiscal agent agreement and/or Acquisition Agreement.

With respect to the Special Tax A obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 2019-1 that there has been a prepayment of the
Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax A obligation and the release of the Special Tax A lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay such Special Tax A shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax A that may be levied on Taxable Property after such full prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds in each future Fiscal Year.

SECTION H
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX A

The Special Tax A obligation of Developed Property, Approved Property, Undeveloped Property, or Provisional Undeveloped Property may be partially prepaid pursuant to this Section H, provided that there are no delinquent Special Tax A, penalties, or interest charges outstanding with respect to such Assessor’s Parcel at the time the Special Tax A obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_\text{a} \times F$$

The terms above have the following meanings:

- $PP$ = the Partial Prepayment Amount.
- $P_\text{a}$ = the Prepayment Amount calculated according to Section G.
- $F$ = the percent by which the owner of the Assessor’s Parcel is partially prepaying the Special Tax A obligation.

With respect to any Assessor’s Parcel that is partially prepaid, the City Council shall indicate in the records of CFD No. 2019-1 that there has been a partial prepayment of the Special Tax A obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax A obligation, to indicate the partial prepayment of the Special Tax A obligation and the partial release of the Special Tax A lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay such prepaid portion of the Special Tax A shall cease. Any such recorded notice shall indicate the amount of Special Tax A applicable to the Assessor’s Parcel after such partial prepayment, which shall be equal to the product of (i) 1.00 less the percentage by which the Assessor’s Parcel is prepaying Special Tax A multiplied by (ii) the Assigned Special Tax A applicable to such Assessor’s Parcel prior to such partial prepayment.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax A that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.
SECTION I
TERM OF SPECIAL TAX A

Special Tax A shall be levied pursuant to this Rate and Method of Apportionment not later than the 2059-2060 Fiscal Year.

SECTION J
EXEMPT PROPERTY

The City shall classify as Exempt Property within the applicable Zone (i) Assessor’s Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor’s Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor’s Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners’ association, (iv) Assessor’s Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor’s Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the City Council.

Notwithstanding the foregoing, the City Council for purposes of levying the Special Tax A shall not classify an Assessor’s Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 4 below. Assessor’s Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 4 will be classified as Provisional Undeveloped Property, and will be subject to the levy of Special Tax A pursuant to Step Five in Section F.

TABLE 4
MINIMUM TAXABLE ACRES

<table>
<thead>
<tr>
<th>Zone</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone 1</td>
<td>3.86</td>
</tr>
<tr>
<td>Zone 2</td>
<td>8.12</td>
</tr>
</tbody>
</table>

SECTION K
APPEALS AND INTERPRETATIONS

Any property owner claiming that the amount or application of the Special Tax A is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax A that is disputed. A representative(s) of CFD No. 2019-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax A, and rule on the appeal. If the representative’s decision requires that the Special Tax A for an Assessor’s Parcel be modified or changed in favor of the property owner, the representative shall take any of the following actions, in order of priority, to correct the error:

(i) if possible, amend the Special Tax A levy on the property owner’s Assessor’s Parcel(s) for the current Fiscal Year prior to the payment date;
(ii) require CFD No. 2019-1 to reimburse the property owner for the amount of the overpayment to the extent of available CFD No. 2019-1 funds; or

(iii) grant a credit against, eliminate or reduce the future Special Tax A on the property owner’s Assessor’s Parcel(s) in the amount of the overpayment.

The City Council may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses.

SECTION L
MANNER OF COLLECTION

The Annual Special Tax A shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 2019-1 may collect Annual Special Tax A at a different time or in a different manner if necessary to meet its financial obligations.