

**RESOLUTION NUMBER 3581**

**RESOLUTION OF INTENTION OF THE CITY COUNCIL OF  
THE CITY OF PERRIS TO ESTABLISH COMMUNITY  
FACILITIES DISTRICT NO. 2005-4 (STRATFORD RANCH)  
OF THE CITY OF PERRIS AND TO AUTHORIZE THE LEVY  
OF A SPECIAL TAX WITHIN SAID DISTRICT**

**WHEREAS**, the City Council (the “Council”) of the City of Perris (the “City”) has received a petition (including consent and waiver) (the “Petition”) from STRATFORD RANCH PARTNERS, LLC, a Delaware limited liability company, requesting the institution of proceedings for formation of a community facilities district (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code of the State of California (the “Act”); and

**WHEREAS**, the Council has determined that the Petition complies with the requirements of Government Code Section 53318 and now intends to form Community Facilities District No. 2005-4 (Stratford Ranch) of the City of Perris; and

**WHEREAS**, the Council desires to adopt this resolution of intention as provided in Section 53321 of the Act to establish a community facilities district consisting of the territory described in Exhibit “A” hereto and incorporated herein by this reference, which the Council hereby determines shall be known as “Community Facilities District No. 2005-4 (Stratford Ranch) of the City of Perris” (the “Community Facilities District No. 2005-4” or the “District”) pursuant to the Act to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property described in Exhibit “B” hereto and incorporated herein by this reference, including all furnishings, equipment and supplies related thereto and the payment of development impact fees and other fees of public agencies (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 District (the “Incidental Expenses”); and

**WHEREAS**, it is the intention of the Council to consider financing the Facilities and the Incidental Expenses through the formation of Community Facilities District No. 2005-4 and the sale of bonded indebtedness in an amount not to exceed \$17,500,000 within the proposed District and the levy of a special tax within the District to pay for the Facilities and the Incidental Expenses and to pay debt service on the bonded indebtedness incurred by such District, provided that the bond sales and special tax levies are approved at an election to be held within the District.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PERRIS  
DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The above recitals are true and correct.

**Section 2.** The Council hereby determines to institute proceedings for the formation of a community facilities district under the terms of the Act pursuant to Section 53350 of the Act. The exterior boundaries of the District are hereby specified and described to be as shown on that certain map now on file in the office of the City Clerk entitled "Proposed Boundaries of Community Facilities District No. 2005-4 (Stratford Ranch) of the City of Perris," which map indicates by a boundary line the extent of the territory included in the proposed District and shall govern for all details as to the extent of the District. On the original and one copy of the map of such District on file in the Clerk's office, the Clerk shall endorse the certificate evidencing the date and adoption of this resolution. The Clerk shall file the original of such map in her office and, within fifteen (15) days after the adoption of this Resolution, the Clerk shall file a copy of such map so endorsed in the records of the County Recorder, County of Riverside, State of California.

**Section 3.** The name of the proposed District shall be designated as "Community Facilities District No. 2005-4 (Stratford Ranch) of the City of Perris."

**Section 4.** The Facilities proposed to be financed by the District and to be financed in part by The District are public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which the City, Eastern Municipal Water District ("EMWD"), Val Verde Unified School District ("VVUSD") or other public agency is authorized by law to construct, acquire, own, operate or contribute revenue to. The Council hereby finds and determines that the description of the Facilities herein is sufficiently informative to allow taxpayers within the proposed District to understand what the funds of the District may be used to finance. The Incidental Expenses expected to be incurred include the cost of planning and designing the Facilities, the costs of forming the District, issuing bonds and levying and collecting a special tax within the District. The Council hereby finds that the proposed Facilities are necessary to meet increased demands placed upon the City, EMWD, VVUSD or other public agency as a result of development occurring within the proposed District. Such Facilities need not be physically located within the District.

**Section 5.** Except where funds are otherwise available, it is the intention of the Council to levy annually in accordance with procedures contained in the Act a special tax within the District (the "Special Tax") sufficient to pay for the costs of financing the acquisition and/or construction of the Facilities and Incidental Expenses, including the principal and interest and other periodic costs of bonds or other indebtedness proposed to be issued to finance the Facilities, and Incidental Expenses, the establishment and replenishment of reserve funds, the credit enhancement fees, if any, the costs of administering the levy and collection of the Special Tax and all other costs of the levy of the Special Tax and issuance of the bonds, including any foreclosure proceedings, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, discount fees, interest on bonds due and payable prior to the expiration of one year from the date of completion of Facilities (but not to exceed two years), election costs and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, disclosure counsel, financing consultants and printing costs, and all other administrative costs of the tax levy and bond issue. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in the District. In the first year in which such a Special Tax is

levied, the levy shall include a sum sufficient to repay to the City all amounts, if any, transferred to the District pursuant to Section 53314 of the Act and interest thereon. The schedule of the rate and method of apportionment and manner of collection of the Special Tax within The District is described in detail in Exhibit "C" attached hereto and by this reference incorporated herein. The Special Tax is based upon the cost of financing the Facilities and Incidental Expenses in the District, the demand that each parcel will place on the Facilities and the benefit (direct and/or indirect) received by each parcel from the Facilities.

The Special Tax within the District is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act. In the event that a portion of the property within the District shall become for any reason exempt, wholly or partially, from the levy of the Special Tax, the Council shall, on behalf of the District, increase the levy to the extent necessary upon the remaining property within the District which is not delinquent or exempt in order to yield the required payments, subject to the maximum tax. If special taxes of the District are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased over time except that it may be increased by an amount not to exceed two percent (2%) per year to the extent permitted in the rate and method of apportionment; (ii) such tax shall be levied for a period not to exceed forty (40) years commencing with Fiscal Year 2006-2007, as further described in Exhibit "C" hereto; and (iii) under no circumstances will such special tax be increased as a consequence of delinquency or default by the owner of any other parcels within the District by more than ten percent (10%).

**Section 6.** The Special Tax within the proposed District is based on the expected demand that each parcel of real property within the proposed District will place on the Facilities and on the benefit that each parcel derives from the right to access the Facilities. The Council hereby determines that the proposed Facilities are necessary to meet the increased demand placed upon the City, EMWD, VVUSD and other agencies and the existing infrastructure in the City as a result of the development of land proposed for inclusion in the District. The Council hereby determines the rate and method of apportionment of the Special Tax set forth in Exhibit "C" for the District to be reasonable.

**Section 7.** A public hearing (the "Hearing") on the establishment of Community Facilities District No. 2005-4, 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 on March 28, 2006, at 6:00 p.m., or as soon thereafter as practicable, at the chambers of the City Council of the City of Perris, 101 North "D" Street, Perris, California 92570. Should the Council determine to form the District, a special election will be held within the District to authorize the issuance of bonds and the levy of the Special Tax in accordance with the procedures contained in Government Code Section 53326. If 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 District at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within the District. Ballots for the special election may be distributed by mail or by personal service.

**Section 8.** 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 proposed District, may appear and be heard.

**Section 9.** Each City officer who is or will be responsible for the Facilities to be financed by the District, if it is established, is hereby directed to study the proposed District and, at or before the time of the above-mentioned Hearing, file a report with the Council, and which is to be made a part of the record of the Hearing, containing a brief description of the Facilities and services by type which will in his or her opinion be required to adequately meet the needs of the District and his or her estimate of the cost of providing the Facilities and services, including an estimate of the fair and reasonable cost of all Incidental Expenses, including the cost of planning and designing the Facilities to be financed pursuant to the Act, the cost of environmental evaluations of such Facilities, all costs associated with the creation of the District, issuance of bonds, determination of the amount of any special taxes, collection of any special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the City with respect to the District, and any other expenses incidental to the construction, completion and inspection of the authorized work to be paid through the proposed financing.

**Section 10.** The City may accept advances of funds or work-in-kind from any sources, including private persons or private entities, and is authorized and directed to use such funds for any authorized purpose, including any cost incurred in creating the District. The District may enter into an agreement to repay all of such funds as are not expended or committed for any authorized purpose at the time of the election on the levy of the Special Tax, if the proposal to levy such tax should fail, and to repay all of such funds advanced if the levy of the Special Tax shall be approved by the qualified electors of the District.

**Section 11.** The Clerk is hereby directed to publish a notice (“Notice”) of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed District. Such Notice shall contain the text or a summary of this Resolution, state 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 proposed District as provided in Section 53324 of the Act and a description of the proposed voting procedure for the election required by the Act. Such publication, unless waived, shall be completed at least seven (7) days prior to the date of the Hearing.

**Section 12.** The Clerk may send a copy of the Notice of the Hearing by first-class mail, postage prepaid, to each registered voter and to each landowner within the proposed District as shown on the last equalized assessment roll. Said mailing shall be completed not less than fifteen (15) days prior to the date of the Hearing.

**Section 13.** Pursuant to Section 53344.1 of the Act, the Council hereby reserves to itself, in its sole discretion, the right and authority by subsequent resolution to allow any owner of property within the District, subject to the provisions of Section 53344.1 of the Act and those conditions as it may impose, and any applicable prepayment penalties as prescribed in

the bond indenture or comparable instrument or document, to tender to the District treasurer in full payment or part payment of any installment of the special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby, the bond or other obligation to be taken at par and credit to be given for the accrued interest shown thereby computed to the date of tender.

**Section 14.** The voting procedure with respect to the establishment of the District and the imposition of the Special Tax shall be by mail or hand delivered ballot election.

**ADOPTED, SIGNED** and **APPROVED** this 14<sup>th</sup> day of February, 2006.

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Mayor, Daryl R. Busch

ATTEST:

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City Clerk, Margaret Rey

STATE OF CALIFORNIA )  
COUNTY OF RIVERSIDE ) §  
CITY OF PERRIS )

I, Margaret Rey, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Resolution Number 3851 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting thereof held the 14th day of February, 2006, and that it was so adopted by the following called vote:

AYES: Yarbrough, Landers, Motte, Rogers, Busch

NOES:

ABSENT:

ABSTAIN:

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City Clerk, Margaret Rey

**EXHIBIT "A"**  
**(RESOLUTION NUMBER 3581)**

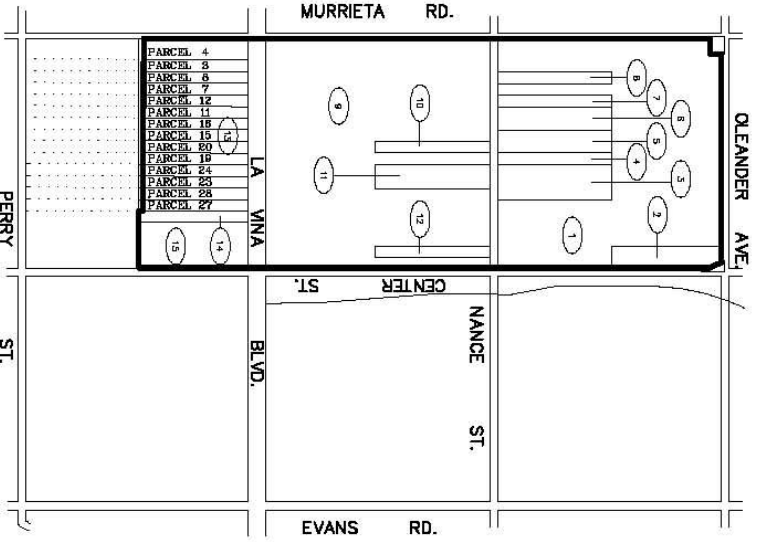
**COMMUNITY FACILITIES DISTRICT NO. 2005-4**  
**(STRATFORD RANCH) OF THE CITY OF PERRIS**

**BOUNDARY MAP**

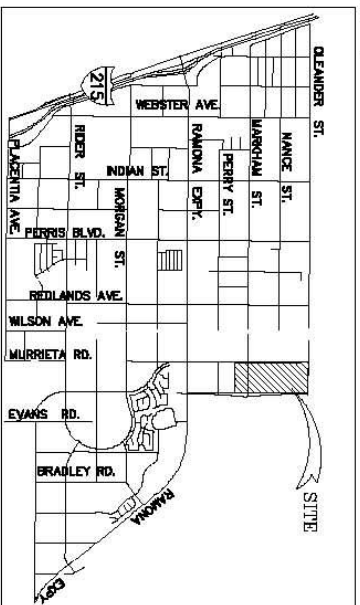
[ATTACHED]

# MAP OF PROPOSED BOUNDARIES COMMUNITY FACILITIES DISTRICT NO. 2005-4 (STRAITFORD RANCH)

CITY OF PERRIS  
COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA



MAP REF. NO.	ASSESSOR'S PARCEL NO.	TRACT	
1	302-180-001	32707	
2	302-180-003		
3	302-180-005		
4	302-180-007		
5	302-180-008		
6	302-180-009		
7	302-180-010		
8	302-180-011		
9	302-180-002		
10	302-180-004		
11	302-180-006		
12	302-180-004		
13	PARCELS 3, 4, 7, 8, 11, 12, 15, 16, 18, 20, 23, 24, 27 AND 28 OF LOT 10 AS SHOWN ON THE ASSESSMENT MAP OF THE CITY OF PERRIS RECORDED ON INSTRUMENT NO. 2006-0999552 OF THE OFFICIAL RECORDS OF RIVERSIDE COUNTY.		32706
14	302-200-003		
15	302-200-004		



FILED IN THE OFFICE OF THE CITY CLERK THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2006.

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2005-4 (STRAITFORD RANCH), CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF, HELD ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_ 2006, BY ITS RESOLUTION NO. \_\_\_\_\_.

MARGARET REY  
CITY CLERK

FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 2006, AT THE HOUR OF \_\_\_\_\_ O'CLOCK, \_\_\_\_\_ M IN \_\_\_\_\_ AND AS INSTRUMENT NO. \_\_\_\_\_ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

LARRY WARD  
COUNTY RECORDER

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM SHALL BE THOSE LINES AND DIMENSIONS AS SHOWN ON THE RIVERSIDE COUNTY ASSESSOR'S MAPS FOR THOSE PARCELS LISTED.  
THE RIVERSIDE COUNTY ASSESSOR'S MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.

**KOPPEL & GRUBER**  
PUBLIC FINANCE

304 1/2 West Street  
Suite 200  
Perris, California 92508  
Phone (760) 652-0280 Fax (760) 652-0286

(06-096) FEBRUARY 2006



**EXHIBIT “B”**  
**(RESOLUTION NUMBER 3581)**

**TYPES OF FACILITIES TO BE FINANCED BY  
COMMUNITY FACILITIES DISTRICT NO. 2005-4  
(STRATFORD RANCH) OF THE CITY OF PERRIS**

The General Description of the Facilities that may be is as follows:

- Street facilities, including, but not limited to, major arterials, highways, intersections, access ramps, roadways, sidewalk, curb, gutters, striping, lighting, traffic signalization, signage, landscaping of public streets and rights-of-way and appurtenant facilities;
- Storm control facilities, including, but not limited to, storm drains, channels, detention, headwalls, riprap pads, retention and/or catch basins and appurtenant facilities;
- Sewer improvements, sanitary sewers, including, but not limited to, lift stations, force mains, pump stations, transmission and main lines, valves, and appurtenant facilities;
- Domestic water facilities, including, but not limited to, reservoirs, pump stations, transmission lines, distribution facilities, lift stations, main lines, valves, fire hydrants and appurtenant facilities;
- Park, recreational facilities, open space and appurtenant facilities;
- Impact and other fees, including but not limited to, TUMF, DIF, school fees, water fees, drainage fees, sewer treatment and connection fees, water supply fees, water meter fees, water connection fees, storm drain fees, capital facilities' fees and other city fees;
- Incidental expenses.
- City facilities.
- School facilities.

## OTHER

The District may also finance any of the following:

1. Bond related expenses, including underwriters' discount, reserve fund, capitalized interest, financial advisor fees and expenses, bond and disclosure counsel, special tax consultant fees and expenses, dissemination agent fees and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to the Improvement Areas of the District and the Bonds.
3. Reimbursement of costs related to the formation of the District advanced by the City or any related entity, or any landowner or developer within the District, as well as reimbursement of any costs advanced by the City or any related entity, or any landowner or developer within the District, for facilities or other purposes or costs of the District.

This description of the public capital facilities is general in nature. The final nature and location of improvements and facilities will be determined upon the preparation of final plans and specifications. The final plans and specifications may show substitutes in lieu of, or modifications to, proposed work. Any such substitution shall not be a change or modification in the proceedings as long as the facilities provide a service substantially similar to that as set forth in the Report.

**EXHIBIT "C"**  
***(RESOLUTION NUMBER 3581)***

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

(Attached)

**EXHIBIT “C”**  
**(RESOLUTION NUMBER 3581)**

**COMMUNITY FACILITIES DISTRICT NO. 2005-4**  
**(STRATFORD RANCH) OF THE CITY OF PERRIS**

**RATE AND METHOD OF APPORTIONMENT**

A Special Tax shall be levied on all Taxable Property within the boundaries of Community Facilities District No. 2005-4 (Stratford Ranch) of the City of Perris (“CFD No. 2005-4”) and collected each Fiscal Year commencing in Fiscal Year 2006-2007 according to the tax liability determined by the Council, through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

**1. DEFINITIONS**

The terms hereinafter set forth have the following meanings.

“**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 an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, other recorded County parcel map, or other similar instrument. An Acre means 43,560 square feet of land.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

“**Administrative Fees**” or “**Administrative Expenses**” means the following actual or reasonably estimated costs directly related to the administration of CFD No. 20054 including, but not limited to: the costs of computing the Special Taxes; the costs of preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2005-4, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2005-4, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2005-4, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2005-4, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2005-4 for any other administrative purposes of CFD No. 2005-4, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

**“Assessor”** means the Assessor of the County of Riverside.

**“Assessor's Parcel”** means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

**“Assessor's Parcel Number”** means the number assigned to an Assessor's Parcel by the County for purposes of identification.

**“Assigned Special Tax”** means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section 3 below.

**“Backup Special Tax”** means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section 3 below.

**“Bonds”** means any bonds or other indebtedness (as defined in the Act) of CFD No. 2005-4, whether in one or more series, secured by the levy of Special Taxes.

**“CFD No. 2005-4”** means the Community Facilities District No. 2005-4 (Stratford Ranch) of the City of Perris.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement, levying the Special Taxes and calculating the Backup Special Tax following recordation of Final Subdivision maps.

**“City”** means the City of Perris, California.

**“Council”** means the City Council of the City acting as the legislative body of the CFD under the Act.

**“County”** means the County of Riverside, California.

**“Debt Service”** means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the calendar year commencing on January 1 of such Fiscal Year.

**“Developed Property”** means for each Fiscal Year, all Taxable Property, exclusive of Provisional Undeveloped Property, for which a building permit for new construction or renovations was issued prior to April 1 of the previous Fiscal Year.

**“Exempt Property”** means Assessor's Parcels designated as being exempt from Special Taxes pursuant to Section 8.

**“Facilities”** means facilities, fees or improvements authorized to be funded by CFD No. 2005-4.

**“Final Subdivision”** means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et

seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

**“Fiscal Year”** means the period starting on July 1 and ending the following June 30.

**“Indenture”** means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

**“Land Use Class”** means any of the classes listed in Table 1 under Section 3 below.

**“Lot”** means a parcel created by a Final Subdivision on which a single family residential home can be constructed.

**“Maximum Special Tax”** means the greatest amount of Special Tax, determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

**“Non-Residential Property”** means all Assessors’ Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

**“Outstanding Bonds”** means all Bonds, which are deemed to be outstanding under the Indenture.

**“Partial Prepayment Amount”** means a prepayment of a portion of the Special Tax Obligation applicable to a parcel of Taxable Property as set forth in Section 6 below.

**“Prepayment Amount”** means the amount required to prepay the Special Tax Obligation in full applicable to a parcel of Taxable Property as set forth in Section 6 below.

**“Property Owner Association Property”** means any Assessor’s Parcel within the boundaries of CFD No. 2005-4 owned in fee by a property owner association, including any master or sub-association.

**“Proportionately” or “Proportionate”** means for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

**“Provisional Undeveloped Property”** means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

**“Public Property”** means any property within the boundaries of CFD No. 2005-4, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

**“Residential Floor Area”** means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

**“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.

**“Resolution of Issuance”** means the resolution passed by the Council authorizing the issuance of Bonds.

**“Special Tax”** means any special tax levied within CFD No. 2005-4 pursuant to the Act and this Rate and Method of Apportionment.

**“Special Tax Obligation”** means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2005-4.

**“Special Tax Requirement”** means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property, and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

**“State”** means the State of California.

**“Taxable Property”** means all of the Assessor's Parcels within the boundaries of CFD No. 2005-4, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

**“Trustee”** means the trustee or fiscal agent under the Indenture.

**“Undeveloped Property”** means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Provisional Undeveloped Property.

## **2. LAND USE CLASSIFICATION**

Each Fiscal Year, beginning with Fiscal Year 2006-2007, each Assessor's Parcel within CFD No. 2005-4 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3 and 4 below. Assessor's Parcels of Developed Property shall be classified as Residential Property or Non-Residential Property. Assessor's Parcels of Residential Property shall be further classified to its applicable Land Use Class based on its Residential Floor Area.

## **3. MAXIMUM SPECIAL TAX RATES**

### **A. Developed Property**

#### **(i). Maximum Special Tax**

The Maximum Special Tax for each Assessor's Parcel classified as Residential Property in any Fiscal Year shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Assessor's Parcel classified as Non-Residential Property in any Fiscal Year shall be the Assigned Special Tax.

#### **(ii). Assigned Special Tax**

The Assigned Special Tax for the 2006-2007 Fiscal Year is shown in Table 1.



**Table 1**

<b>Land Use Class</b>	<b>Description</b>	<b>Residential Floor Area</b>	<b>Assigned Special Tax</b>
1	Residential Property	Less than 2,176 Sq. Ft.	\$2,142 per Unit
2	Residential Property	2,176 to 2,475 Sq. Ft.	\$2,493 per Unit
3	Residential Property	2,476 to 2,775 Sq. Ft.	\$2,519 per Unit
4	Residential Property	2,776 to 3,075 Sq. Ft.	\$2,651 per Unit
5	Residential Property	3,076 to 3,375 Sq. Ft.	\$2,826 per Unit
6	Residential Property	Greater than 3,375 Sq. Ft.	\$3,413 per Unit
7	Non-Residential Property	N/A	\$15,685 per Acre

On July 1<sup>st</sup> of each Fiscal Year, commencing July 1, 2007, the Assigned Special Tax for Residential Property and Non-Residential Property shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

(iii). Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class or may contain both Residential and Non-Residential Property. For Assessor's Parcels of Residential Property containing more than one Land Use Class, the Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for Residential and Non-Residential Property as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

(iv). Backup Special Tax

Each Fiscal Year, each Assessor's Parcel of Residential Property shall be subject to a

Backup Special Tax. In each Fiscal Year, the Backup Special Tax rate for Residential Property within a Final Subdivision shall be the rate per dwelling unit calculated according to the following formula:

$$B = Z \times A \times L$$

The terms above have the following meanings:

B = Backup Special Tax per Assessor's Parcel within the applicable Final Subdivision

Z = Maximum Special Tax for Undeveloped Property for the applicable Fiscal Year.

A = Acreage of Taxable Property, excluding Provisional Undeveloped Property in such Final Subdivision that lie within the boundaries of CFD No. 2005-4, as determined by the CFD Administrator pursuant to Section 8.

L = Total number of Assessor's Parcels of Residential Property within the Final Subdivision that lie within the boundaries of CFD No. 2005-4.

If a Final Subdivision includes Assessor's Parcels for which building permits for both residential and non-residential construction may be issued, then the Backup Special Tax for each Assessor's Parcel of Residential Property within such Final Subdivision area shall be computed by the CFD Administrator exclusive of the allocable portion of total Acreage of Taxable Property attributable to Assessor Parcels for which building permits for non-residential construction may be issued.

Except as provided below (and except for the 2% annual increase), once a Final Subdivision is recorded, the Backup Special Tax for each Assessor's Parcel within such Final Subdivision shall be fixed and shall not be recalculated. Notwithstanding the foregoing, if Assessor's Parcels of Residential Property are subsequently changed or modified by recordation of a subsequent Final Subdivision, then the Backup Special Tax as previously determined will be applied to the unchanged Lots and a Revised Backup Special Tax shall be recalculated to equal the amount of the Backup Special Tax that would have been generated if such change did not take place and applied to the Lots that are part of the changed or modified area based on the following formula:

$$R = \frac{C}{N}$$

The terms above have the following meanings:

R = Revised Backup Special Tax per Assessor's Parcel that applies to the changed or modified lots in a Final Subdivision.

- C = Backup Special Tax applicable to the changed or modified lots in a Final Subdivision prior to the change or modification.
- N = Total number of new Assessor's Parcels of Residential Property created through the change or modification of the Final Subdivision.

#### **B. Undeveloped Property and Provisional Undeveloped Property.**

The Maximum Special Tax for Undeveloped Property and Provisional Undeveloped Property shall be \$15,685 per Acre for Fiscal Year 20062007. On July 1<sup>st</sup> of each Fiscal Year, commencing July 1, 2007, the Maximum Annual Special Tax for Undeveloped Property and Provisional Undeveloped Property shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

#### **4. METHOD OF APPORTIONMENT**

For each Fiscal Year the Council shall determine the Special Tax Requirement and levy the Special Tax, until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the applicable Assigned Special Tax as necessary to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel; and

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased from the previous Fiscal Year by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2005-4, except for those Residential Properties whose owners are

also delinquent or in default on their Special Tax payments for one or more other properties within CFD No. 2005-4.

## 5. COLLECTON OF SPECIAL TAXES

Collection of the Special Tax shall be made by the County in the same manner as ordinary ad valorem property taxes are collected and the Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes.

## 6. PREPAYMENT OF SPECIAL TAX OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

The following definitions apply to this Section 6:

**“CFD Public Facilities Costs”** means \$12,900,000 in 2005 dollars, which shall increase by the Construction Inflation Index on July 1, 2006, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the authorized Mello-Roos financing program for CFD No. 2005-4, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD No. 2005-4 Bonds (except refunding bonds) to be supported by Special Taxes.

**“Construction Fund”** means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees.

**“Construction Inflation Index”** means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year, which ends in the previous Fiscal Year. In the event this index ceases to be published, the Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

**“Future Facilities Costs”** means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance CFD Public Facilities Costs.

**“Outstanding Bonds”** means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Maximum Special Taxes.

**“Previously Issued Bonds”** means all CFD No. 2005-4 Bonds that have been issued prior to the date of prepayment.

**A. Prepayment in Full**

The Special Tax Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than 60 days prior to any redemption date for the CFD No. 2005-4 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

$$\begin{aligned} & \text{Bond Redemption Amount} \\ & \text{plus Redemption Premium} \\ & \text{plus Future Facilities Prepayment Amount} \\ & \text{plus Defeasance Amount} \\ & \text{plus Prepayment Administrative Fees and Expenses} \\ & \text{less Reserve Fund Credit} \\ & \text{less Capitalized Interest Credit Total: equals} \\ & \text{Prepayment Amount} \end{aligned}$$

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

**Paragraph No.:**

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special

Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.

3. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Taxes for CFD No. 2005-4 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through build-out of CFD No. 2005-4 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid, and (b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the total estimated Backup Special Taxes at build-out for CFD No. 2005-4, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the "Defeasance Amount").
11. Verify the administrative fees and expenses of CFD No. 2005-4, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2005-4, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit

shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2005-4.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2005-4 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2005-4 Bonds to be used with the next prepayment of CFD No. 2005-4 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the Special Tax Obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the maximum annual Debt Service on all Outstanding Bonds.

#### **B. Prepayment in Part**

The Special Tax on an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment

$P_E$  = the Prepayment Amount calculated according to Section 6.A.

F = the percentage by which the owner of the Assessor's Parcel(s) is partially  
prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of CFD No. 2005-4 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section

3.

## **7. Term of Special Tax**

The Special Tax shall be levied annually for a period not to exceed the 35 years commencing with Fiscal Year 2006-2007.

## **8. Exemptions**

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) 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 (iv) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 2005-4 to less than 63.38 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2005-4 to less than 63.38 acres of Acreage be classified as Provisional Undeveloped Property, and will continue to be subject to the CFD No. 2005-4 Special Taxes accordingly. Tax exempt status for this purpose of this paragraph will be assigned by the CFD Administrator in the chronological



order in which property becomes eligible for classification as Exempt Property.

The Special Tax Obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency but which is classified as Provisional Undeveloped Property pursuant to the first paragraph of Section 8 above shall be prepaid in full by the seller pursuant to Section 8 prior to the transfer/dedication of such property to such public agency. Until the Special Tax Obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Provisional Undeveloped Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

## **9. Appeals**

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager or designee of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Special Tax and any landowner appeals are herein specified. The decision of the City Manager or designee shall be final and binding as to all persons.