

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIVERSIDE DECLARING ITS INTENTION TO ESTABLISH PROPOSED COMMUNITY FACILITIES DISTRICT NO. 2015-2 (ARROYO PARK) OF THE CITY OF RIVERSIDE AND APPROVING A FUNDING AND ACQUISITION AGREEMENT

WHEREAS, the City Council (the “City Council”) of the City of Riverside (the “City”) has received a petition from the owner of certain real property within the City (the “Owner”) requesting that the City Council institute proceedings for the formation of a community facilities district, pursuant to Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982,” for the purpose of constructing, acquiring and financing through the sale of bonds or the levy of special taxes the construction and acquisition of public facilities which are necessary to meet increased demands placed upon the City as a result of the development of said real property (the “Facilities); and

WHEREAS, the Owner is the owner of all of the property which is proposed to be included within the proposed community facilities district; and

WHEREAS, there has been presented to the City Council an agreement entitled “Funding and Acquisition Agreement” (the “Funding Agreement”) to be entered into between the City, on behalf of Community Facilities District No. 2015-2 (Arroyo Park), and the Owner; and

WHEREAS, pursuant to Section 53320 of the California Government Code, having received such a petition, it is appropriate for the City Council to institute proceedings for the formation of the proposed community facilities district by the adoption of a resolution of intention pursuant to Section 53321 of said Code;

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

Section 1. Proposed Community Facilities District. A community facilities district is proposed to be established under the provisions of Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982.” The name proposed for the community facilities district is “Community Facilities District No. 2015-2 (Arroyo Park) of the City of Riverside, County of Riverside, State of California.”

Section 2. Description and Map of Boundaries. The boundaries of the proposed community facilities district are described and shown on the map entitled “Boundaries of Community Facilities District No. 2015-2 (Arroyo Park) of the City of Riverside, County of Riverside, State of California,” which is on file with the City Clerk. Said map is approved and,

pursuant to Section 3110 of the California Streets and Highways Code, the City Clerk shall, after conforming with the other requirements of Section 3111 of said Code, file the original of said map in her office, and not later than 15 days prior to the date of the public hearing set forth in Section 9 hereof shall record a copy of said map with the County Recorder of the County of Riverside.

Section 3. Types of Facilities and Incidental Expenses.

(a) The types of public facilities proposed to be provided for and financed by the proposed community facilities district are street and road facilities, including street lights and traffic signals, storm water drainage facilities, water system facilities, including capacity in existing facilities, sewer system facilities, including capacity in existing facilities and sewage treatment capacity, or such other facilities of the City which have a useful life of five years or longer(the “Facilities”).

(b) The incidental expenses which will be incurred are: (i) the cost of planning and designing such facilities and the cost of environmental evaluations thereof, (ii) all costs associated with the formation of the proposed community facilities district, issuance of the bonds thereof, the determination of the amount of and collection of taxes, and costs otherwise incurred in order to carry out the authorized purposes of the community facilities district, and (iii) any other expenses incidental to the construction, completion, acquisition and inspection of such facilities.

Section 4. Special Taxes. Except where funds are otherwise available, special taxes sufficient to pay for all such facilities, to pay for debt service on other obligations of the City relating to such facilities, and to pay the principal of and interest on the bonds of the proposed community facilities district and the annual administrative expenses of the City and the proposed community facilities district in determining, apportioning, levying and collecting such special taxes, and in paying the principal of and interest on such bonds and the costs of registering, exchanging and transferring such bonds, secured by the recordation of a continuing lien against all taxable or nonexempt property in the proposed community facilities district, shall be annually levied within the proposed community facilities district.

All Parcels of taxable property in the territory of the proposed community facilities district shall be subject to the annual levy of special taxes to pay for the Facilities and the principal of and interest on the aggregate principal amount of the bonds of the proposed community facilities district that may be issued and sold to finance the design, construction and acquisition of the Facilities.

The rates and method of apportionment of special taxes to be levied on parcels of taxable property in the proposed community facilities district to pay for the Facilities and the principal of and interest on the bonds of the proposed community facilities district that may be issued and sold to finance the Facilities or to pay or accumulate funds for paying the costs of the design, construction and acquisition of such facilities, or to pay other debt obligations of the City relating to such facilities are set forth in Exhibit “A” attached hereto.

The maximum amounts of special taxes that may be levied in any fiscal year on parcels within the proposed community facilities district that are used for private residential purposes (“Residential Parcels”) are specified in dollar amounts in Exhibit “A” attached hereto. Special taxes shall not be levied on any Residential Parcels to pay the capital cost of the facilities or the principal of and interest on the outstanding bonds of the community facilities district after the tax or fiscal year beginning on July 1, 2055 and ending on June 30, 2056, and that fiscal year shall be the last tax year in which special taxes shall be levied on Residential Parcels for such purpose. Under no circumstances shall the special taxes levied in any Fiscal Year against any Assessor’s Parcel of Residential Property as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor’s Parcel by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

The conditions under which the obligation to pay the special taxes may be prepaid and permanently satisfied are as set forth in Exhibit “A” attached hereto.

Pursuant to Section 53340 of the California Government Code, said special taxes shall be collected in the same manner as ordinary ad valorem property taxes are collected and shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem taxes.

Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the special taxes shall attach to all non-exempt real property in the proposed community facilities district, and that lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien canceled in accordance with law or until collection of the special taxes ceases.

Section 5. Exempt Properties. Pursuant to Section 53340 of the California Government Code, and except as provided in Section 53317.3 of said Code, properties of entities of the state, federal, and local governments shall be exempt from the levy of special taxes.

Section 6. Necessity. The City Council finds that the proposed Facilities described in Section 3 hereof are necessary to meet increased demands placed upon the City as a result of new development occurring within the boundaries of the proposed community facilities district.

Section 7. Repayment of Funds Advanced or Work-in-Kind. Pursuant to Section 53314.9 of the California Government Code, the City Council proposes to accept advances of funds or work-in-kind from private persons or private entities and to provide, by resolution, for the use of those funds or that work-in-kind for any authorized purpose, including but not limited to, paying any costs incurred by the City in creating the proposed community facilities district, and to enter into an agreement, by resolution, with the person or entity advancing the funds or work-in-kind to repay 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.

Section 8. Prohibition of Owner Contracts. Pursuant to Section 53329.5 of the California Government Code, the City Council finds that the public interest will not be served by allowing the owners of property within the proposed community facilities district to enter into a contract in accordance with subdivision (a) of that section, and that such owners shall not be permitted to elect to perform the work and enter into a written contract with the City for the construction for the public facilities pursuant to said Section 53329.5.

Section 9. Hearing. A public hearing on the formation of the proposed community facilities district shall be held at 3:00 p.m. on April 7, 2015 in the City Council Chambers located at 3900 Main Street, Riverside, California.

Section 10. Notice. The City Clerk shall publish a notice of the time and place of said hearing as required by Section 53322 of the California Government Code, and shall also give notice of the time and place of said hearing by first-class mail to each registered voter and to each landowner within the proposed community facilities district as prescribed by Section 53322.4 of said Code. Said notice shall be published at least seven (7) days and mailed at least 15 days before the date of the hearing, and shall contain the information required by said Section 53322.

Section 11. Report. The City Manager, or his designee(s), being the officer(s) of the City who will be responsible for providing the proposed types of public facilities to be provided within and financed by the proposed community facilities district, if it is established, shall study the proposed district, and, at or before the time of said hearing, file a report or reports with the City Council containing a brief description of the public facilities by type which will in their opinion be required to adequately meet the needs of the proposed community facilities district and their estimate of the fair and reasonable cost of providing those public facilities and the incidental expenses to be incurred in connection therewith. All such reports shall be made a part of the record of the hearing to be held pursuant to Section 9 hereof.

Section 12. Description of Voting Procedures. The voting procedures to be followed shall be pursuant to Section 53326 of the California Government Code and pursuant to the applicable provisions of the Election Code.

Section 13. Funding and Acquisition Agreement. The Funding and Acquisition Agreement is approved and the Finance Director and the City Clerk are authorized to execute and deliver the Funding Agreement on behalf of City in the form presented to the City Council at the meeting at which this resolution is adopted, with such changes therein as the officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

ADOPTED by the City Council this 3rd day of March, 2015.

Mayor of the City of Riverside

ATTEST:

City Clerk of the City of Riverside

CERTIFICATION

I, Colleen J. Nicol, City Clerk of the City of Riverside, certify that the foregoing resolution was adopted by the City Council of the City of Riverside at a regular meeting held on the 3rd day of March, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Riverside this ____ day of _____, 2015.

City Clerk of the City of Riverside

EXHIBIT “A”

RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2015-2 (ARROYO PARK) OF THE CITY OF RIVERSIDE

A Special Tax shall be levied on all Assessor’s Parcels of Taxable Property within Community Facilities District No. 2015-2 (Arroyo Park) of the City of Riverside (the “District”) in each Fiscal Year, in an amount determined by the City Council of the City of Riverside (the “Council” or the “City”) through the application of the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property as provided below. All Assessor’s Parcels, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. 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 the 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, lot line adjustment, condominium plan, or other recorded parcel map.

“**Act**” means the Mello Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.

“**Administrative Expenses**” means the following actual or reasonably estimated costs directly related to the administration of the District with respect to: the costs of computing the Special Taxes and preparing the annual Special Tax levy schedules (whether by the City, the District, or an agent thereof); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, the District or any agent thereof in complying with arbitrage rebate requirements; the costs to the City, the District or any agent thereof to provide continuing disclosure information; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the District or any agent thereof related to an appeal of the Special Tax. Administrative Expenses shall also include amounts advanced by the City or the District for any other administrative purposes of the District, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure proceedings for the collection of delinquent Special Taxes.

“Approved Property” means all Assessor's Parcels of Taxable Property: (i) that are included in a Final Subdivision that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a Building Permit prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

“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 of the County of Riverside designating parcels by Assessor’s Parcel number.

“Association Property” means any property owned by or irrevocably offered or dedicated to or for which an easement for purposes of right of way has been granted to a property owners’ association, including any master or sub association.

“Assigned Special Tax” means the Assigned Special Tax for each Land Use Category of Developed Property, as specified in Table 1.

“Backup Special Tax” means the Backup Special Tax amount determined for an Assessor’s Parcel pursuant to Section C.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether issued in one or more series, secured by the levy of Special Taxes on Assessor’s Parcels of Taxable Property.

“Developed Property” means all Assessor’s Parcels exclusive of Association Property and Public Property, upon which completed Dwelling Units or non-residential buildings have been constructed or for which building permits have been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

“District” means Community Facilities District No. 2015-2 (Arroyo Park) of the City of Riverside.

“District Administrator” means the Assistant City Manager/CFO/ Treasurer of the City, or his or her designee, or any agent appointed by him or her, who shall be responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“Dwelling Unit” or **“DU”** means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the District Administrator.

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

“Final Subdivision” 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 Section 1352 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 on the following June 30.

“Indenture” means the indenture, fiscal agent agreement, trust agreement, or resolution, pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means for Assessor’s Parcels of Developed Property, the categories of Residential Property and Non-Residential Property identified in Table 1.

“Maximum Special Tax” means the Maximum Special Tax, determined as provided in Section C, which can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property upon which completed non-residential buildings have been constructed or for which building permits have been issued for construction of such buildings.

“Proportionately” means for Taxable Property that is (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Assessor’s Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property, Taxable Public Property and Taxable Association Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is the same for all Assessor’s Parcels of Undeveloped Property, Taxable Public Property and Taxable Association Property.

“Public Property” means property owned by or irrevocably offered or dedicated to or for which an easement for purposes of public right of way has been granted to the federal government, the State of California, the County of Riverside, the City or any other local governmental or public agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Residential Floor Area” for any Assessor’s Parcel of Residential Property means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the original building permit(s) issued for each Assessor’s Parcel or if the Building Permit is not available by reference to a similar official document as selected by the District Administrator.

“Residential Property” means all Assessor’s Parcels of Developed Property upon which completed Dwelling Units have been constructed or for which building permits have been issued for purposes of constructing one or more Dwelling Units.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement.

“Special Tax Requirement” means the amounts required in any Fiscal Year to: (i) pay debt service on all outstanding Bonds (taking into consideration the amount of funds that may be available pursuant to the Indenture to pay such debt service); (ii) pay periodic costs for the Bonds, including, but not limited to, costs related to credit enhancement and rebate payments; (iii) pay Administrative Expenses; (iv) provide an amount equal to reasonably anticipated delinquencies in the collection of Special Taxes; (v) pay any amount required to replenish the reserve fund for the outstanding Bonds;; and (vi) provide any amounts that the Council determines are necessary to pay the costs of the provision, construction and acquisition of public facilities and/or to accumulate funds therefor.

“Taxable Association Property” means all Assessor’s Parcels of Association Property which are not Exempt Property.

“Taxable Property” means all of the Assessor’s Parcels which are not Exempt Property.

“Taxable Public Property” means all Assessor’s Parcels of Public Property which are not Exempt Property.

“Undeveloped Property” means all Taxable Property not classified as Developed Property, Approved Property, Taxable Association Property or Taxable Public Property.

B. CLASSIFICATION AND LAND USE CATEGORIZATION

For each Fiscal Year, all Assessor’s Parcels of Taxable Property shall be classified as Developed Property, Approved Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property and shall be subject to the levy of Special Taxes as determined pursuant to Sections C and D below. Assessor’s Parcels of Developed Property shall be classified as either Residential Property or Non-Residential Property.

For purposes of determining the applicable Assigned Special Tax for Assessor’s Parcels of Developed Property which are classified as Residential Property, all such Assessor’s Parcels shall be assigned to a Land Use Category based upon the square footage of the Residential Floor Area of the Dwelling Unit(s) constructed or to be constructed thereon as specified in or shown on the building permit(s) issued therefore.

C. ASSIGNED AND MAXIMUM SPECIAL TAXES

1. Developed Property

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the greater of (i) the applicable Assigned Special Tax or (ii) the amount of the Backup Special Tax therefore.

a. Assigned Special Tax

The Assigned Special Tax amounts for all Land Use Categories of Developed Property are specified in Table 1 below.

**TABLE 1
Assigned Special Taxes for Land Use Categories
of Developed Property**

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax per DU or Acre
1. - Residential Property	DU	1,900 sq. ft. or less	\$2,888
2. - Residential Property	DU	1,901 sq. ft. to 2,200 sq. ft.	\$3,016
3. - Residential Property	DU	2,201 sq. ft. to 2,500 sq. ft.	\$3,368
4. - Residential Property	DU	> 2,500 sq. ft.	\$3,568
5. - Non Residential Property	Acre	N/A	\$17,303

b. Backup Special Tax

The Backup Special Tax for an Assessor's Parcel of Residential Property within a Final Subdivision shall be determined by multiplying the Maximum Special Tax per Acre for Undeveloped Property by the total Acreage of Taxable Property within the Final Subdivision which created such Assessor's Parcel, excluding the Acreage associated with Non-Residential Property, Taxable Association Property, and Taxable Public Property, and dividing such amount by the number of Assessor's Parcels within such Final Subdivision for which a building permit has been or is expected to be issued for Residential Property (i.e., the total number of residential lots with such Final Subdivision).

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified, then the Backup Special Tax for each Assessor’s Parcel of Developed Property in such Final Subdivision area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision area, as reasonably determined by the District Administrator.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision area for all remaining Fiscal Years in which the Special Tax may be levied.

The Backup Special Tax shall not apply to Non-Residential Property, Taxable Association Property, or Public Property.

2. Approved Property, Undeveloped Property, Taxable Association Property and Taxable Public Property

The Maximum Special Tax for Assessor's Parcels of Approved Property, Undeveloped Property, Taxable Association Property and Taxable Public Property shall be \$17,303 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2015-16 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax on all Assessor's Parcels of Taxable Property until the aggregate amount of the Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied for each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcels of Developed Property up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

Second: If additional moneys 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 Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

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

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Assessor's Parcels of Developed Property for which the Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcels of Taxable Association Property up to 100% of its Maximum Special Tax;

Sixth: If additional moneys are needed to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcels of Taxable Public Property up to 100% of its Maximum Special Tax.

No Special Tax shall be levied on Assessor's Parcels of Undeveloped Property to provide any amounts that the Council determines are necessary to pay the costs of the provision, construction and acquisition of public facilities and/or to accumulate funds therefor, as described in clause (vii) of the definition of Special Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor's Parcel of Residential Property as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

E. EXEMPTIONS

The District Administrator shall classify as Exempt Property Assessor's Parcels of (i) Public Property or (ii) Association Property; provided that such classification shall not reduce the Acreage of all Taxable Property to less than 21.34 Acres. The District Administrator shall not classify an Assessor's Parcel of Public Property or Association Property as Exempt Property if such classification would reduce the Acreage of all Assessor's Parcels of Taxable Property to less than 21.34 Acres. Such Assessor's Parcels that cannot be classified as Exempt Property because such classification would reduce the Acreage of all Assessor's Parcels of Taxable Property to less than 21.34 Acres will be classified as Taxable Association Property or Taxable Public Property, and will continue to be subject to the Special Tax. The District Administrator shall classify such Assessor's Parcels as Exempt Property in the chronological order in which property becomes Public Property or Association Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its

financial obligations, and may covenant to foreclose and may foreclose on Assessor's Parcels having delinquent Special Taxes as permitted by the Act.

G. TERM OF THE SPECIAL TAX

The Special Tax shall be levied each Fiscal Year on each Assessor's Parcels of Taxable Property as needed to satisfy the Special Tax Requirement. If any delinquent Special Taxes remain uncollected prior to or after all outstanding Bonds are retired, the Special Tax may be levied to the extent necessary, up to the applicable Maximum Special Tax, to make up the deficiency resulting from such delinquent Special Taxes, but not later than the 2055-56 Fiscal Year.

H. PREPAYMENT

As used in this Section H, the terms in quotes have the meanings given to them below:

"CFD Facilities Amount" means the amount of \$4,500,000 expressed in 2015 dollars, which shall increase on January 1, 2016 and on each January 1 thereafter, by the percentage increase in Construction Index since the preceding January 1, or such lesser amount (i) as shall be determined by the District Administrator to be sufficient to provide for the construction and acquisition of all of the public facilities, or (ii) as shall be determined by the Council at the time of the adoption of a covenant that the District will not issue any additional bonds.

"Construction Fund" means a fund or account established by the Indenture to hold funds which are to be used to pay costs associated with the construction and acquisition of public facilities.

"Construction Index" means the Engineering News-Record Building Cost Index for the City of Los Angeles. If this index ceases to be published, the Construction Index shall be another index which is determined by the District Administrator to be reasonably comparable to such index.

"Future Facilities Costs" means the amount determined by subtracting from the CFD Facilities Amount (i) the amount available in the Construction Fund to pay the costs of the construction and acquisition of public facilities, and (ii) the estimated amount of income that will be earned from the investment of such available amount prior to the date upon which the prepayment is to be made.

"Indenture" means the bond indenture, fiscal agent agreement or resolution pursuant to which the bonds of the District are issued and which establishes a construction or improvement fund into which proceeds of the sale of the bonds are deposited to pay for the construction and acquisition of public facilities.

"Outstanding Bonds" means all bonds of the District that are secured by and paid from Special Taxes that are levied on Assessor's Parcels of Taxable Property and that will remain

outstanding after the first date following the current Fiscal Year on which interest on or interest on and principal of such bonds will be paid, excluding bonds to be redeemed on a later date with Prepayment Amounts (as defined below) for other Assessor's Parcels for which the Special Tax Obligation has been prepaid.

“**Special Tax Obligation**” means the total amount of Special Taxes which could be levied on an Assessor's Parcel based on the Maximum Special Tax for the Assessor's Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued, or an Assessor's Parcel of Taxable Association Property or Taxable Public Property. The Special Tax Obligation for an Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to the Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax Obligation for the Assessor's Parcel shall provide the District Administrator with written notice of the owner's intent to prepay, and within fifteen (15) days of receipt of such notice, the District Administrator shall notify such owner of the amount of a non-refundable deposit to cover the cost to be incurred by the City and the District in determining the Prepayment Amount for the Assessor's Parcel. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Prepayment Amount for the Assessor's Parcel. Prepayment must be made not later than sixty (60) days prior to any redemption date for any bonds which will be redeemed with the Prepayment Amount.

The Prepayment Amount shall be calculated as follows (Except as provided above, capitalized terms have the meanings given below.):

Bond Redemption Amount
plus Redemption Premium
plus Prepaid Facilities Amount
plus Defeasance Amount
plus Administration Costs
less Reserve Fund Credit
equals Prepayment Amount

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

Paragraph No.:

1. For an Assessor's Parcel of Developed Property, determine the Maximum Special Tax for the prepaying Assessor's Parcel. For an Assessor's Parcel of Undeveloped Property, determine the Maximum Special Tax for the Assessor's Parcel as though it was Developed Property, based on the building permit(s) issued for the Assessor's Parcel. For an Assessor's Parcel of Taxable Association Property or Taxable Public Property, determine the Maximum Special Tax for the Assessor's Parcel.
2. Divide the Maximum Special Tax for the Assessor's Parcel, determined pursuant to paragraph 1, by the total estimated amount of the Maximum Special Taxes that could be levied on all Assessor's Parcels of Developed Property, including the prepaying Assessor's Parcel and excluding any Assessor's Parcels that have previously prepaid the Special Tax Obligation.
3. Multiply the aggregate principal amount of the Outstanding Bonds by the percentage derived pursuant to paragraph 2 to determine the principal amount of the Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. Determine the Future Facilities Costs.
6. Multiply the Future Facilities Costs by the percentage derived pursuant to paragraph 2 to determine the amount of the Future Facilities Costs to be prepaid (the "*Prepaid Facilities Amount*").
7. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
8. Determine the unpaid amount of the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year.
9. Estimate the earnings on the investment of the Prepayment Amount, less the Prepaid Facilities Amount and the Administration Costs (as defined below), from the date of prepayment until the redemption date for the Outstanding Bonds that will be redeemed with the Prepayment Amount (the "*Net Prepayment Amount*").
10. Add the amounts derived pursuant to paragraphs 7 and 8 and subtract the amount derived pursuant to paragraph 9 to derive the Defeasance Amount (the "*Defeasance Amount*").

11. Determine the amount that will be needed and will not be paid from a non-refundable deposit by the owner of the prepaying Assessor's Parcel for paying the costs of (i) determining the Prepayment Amount, (ii) investing the Net Prepayment Amount, (iii) redeeming the Outstanding Bonds, and (iv) recording any notices to evidence the prepayment and satisfaction of the Special Tax Obligation for the Assessor's Parcel (the "Administration Costs").

12. Determine the amount of the reserve fund credit (the "Reserve Fund Credit") which shall be the lesser of: (a) the amount, if any, by which the "Reserve Requirement" (as defined in the Indenture) will be reduced as a result of the redemption of Outstanding Bonds with the Prepayment Amount (the "Reduced Reserve Requirement") or (b) the amount (which shall not be less than zero) derived by subtracting the Reduced Reserve Requirement from the amount that will be on deposit in the Reserve Fund for the Outstanding Bonds on the prepayment date.

13. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Prepaid Facilities Amount, the Defeasance Amount and the Administration Costs less the Reserve Fund Credit.

14. Upon receipt of the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Reserve Fund Credit shall be deposited into the appropriate fund established under the Indenture for the redemption of Outstanding Bonds and shall be used to redeem an aggregate principal amount of Outstanding Bonds which is equally divisible by \$5,000 and, to the extent of any portion of the sum thereof that is not so utilized, to pay interest on and principal of Outstanding Bonds. The Prepaid Facilities Amount shall be deposited into the Construction Fund. The Administration Costs shall be retained by the City and used to pay or reimburse such costs.

Upon receipt of the Prepayment Amount for an Assessor's Parcel, the District Administrator shall cause the appropriate notice to be recorded in compliance with the Act to acknowledge that the Special Tax Obligation for the Assessor's Parcel has been prepaid and satisfied and to cancel the Special Tax lien securing payment of Special Taxes.

Notwithstanding the foregoing, no Prepayment shall be allowed for any Assessor's Parcel unless the total amount of the Maximum Special Taxes that may be levied on Taxable Property (excluding Assessor's Parcels of Taxable Association Property and Taxable Public Property), both before and after expected build out of the property, as then approved by the City, after the proposed Prepayment would be at least equal to the sum of (i) an amount equal to 110 percent of maximum annual debt service on all Outstanding Bonds, as determined by the District Administrator, a financial advisor or a special tax consultant, at the option of the District Administrator, plus (ii) Administrative Expenses in the amount of \$20,000.

2. Partial Prepayment

An owner of not less than fifteen (15) Assessor's Parcels of Developed Property classified as Residential Property may partially prepay the Special Tax Obligation for all such Assessor's Parcels. The owner of an Assessor's Parcel of Undeveloped Property (i) for which a tentative subdivision map that will subdivide the Assessor's Parcel into not less than fifteen (15) Assessor's Parcels has been approved by the City, (ii) that will be classified as Residential Property and (iii) for which a building permit has been issued, may partially prepay the Special Tax Obligation for not less than fifteen (15) of such Assessor's Parcels. The amount of the Partial Prepayment shall be calculated pursuant to Section H.1 as modified by 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 H.1

F = the percentage by which the owner of the Assessor's Parcels is partially prepaying the Special Tax Obligation.

The owner of such Assessor's Parcels who desires to partially prepay the Special Tax Obligation shall notify the District Administrator of (i) the owner's intent to partially prepay the Special Tax Obligation and, (ii) the percentage by which the Special Tax Obligation for all such Assessor's Parcels will be prepaid, and within fifteen (15) days of receipt of such notice, the District Administrator shall notify such owner of the amount of a non-refundable deposit determined to cover the costs to be incurred by the City and the District in determining the amount of the Partial Prepayment for such Assessor's Parcels. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Partial Prepayment amount applicable to each of such Assessor's Parcels. A Partial Prepayment must be paid not later than sixty (60) days prior to the redemption date for any Outstanding Bonds which will be redeemed with the Partial Prepayment.

Upon receipt of a Partial Prepayment of the Special Tax Obligation for any such Assessor's Parcels, the District Administrator shall (i) allocate the amount of the Partial Prepayment pursuant to Paragraph 14 of Section H.1 and (ii) note on the records of the District that there has been a Partial Prepayment of the Special Tax Obligation for such Assessor's Parcels and that the amount of Special Taxes that shall continue to be levied on such Assessor's Parcels pursuant to Section D shall be reduced based on the percentage $(1.00 - F)$ of the remaining Special Tax Obligation for such Assessor's Parcels.

Notwithstanding the foregoing, no Partial Prepayment shall be allowed for any Assessor's Parcel unless the total amount of the Maximum Special Taxes that may be

levied on Taxable Property (excluding Assessor's Parcels of Taxable Association Property and Taxable Public Property), both before and after expected build out of the property in District, as then approved by the City, after the proposed Partial Prepayment would be at least equal to the sum of (i) an amount equal to 110 percent of maximum annual debt service on all Outstanding Bonds, as determined by the District Administrator, a financial advisor or a special tax consultant, at the option of the District Administrator, plus (ii) Administrative Expenses in the amount of \$20,000.