

RESOLUTION NO. 2021-28

**RESOLUTION OF THE CITY COUNCIL ESTABLISHING THE CITY OF
BEAUMONT COMMUNITY FACILITIES DISTRICT NO. 2021-1 (FAIRWAY
CANYON), AUTHORIZING THE LEVY OF SPECIAL TAXES AND
CALLING AN ELECTION THEREIN**

Intent of the Parties and Findings

(i) The property proposed to be included in the Community Facilities District (as defined below) consists of territory that is currently located within Improvement Area No. 19D of City of Beaumont Community Facilities District No. 93-1 (“Improvement Area No. 19D”) and Improvement Area No. 19F of City of Beaumont Community Facilities District No. 93-1 (“Improvement Area No. 19F”); and

(ii) Improvement Area No. 19D and Improvement Area No. 19F will be dissolved contingent upon the formation of the Community Facilities District; and

(iii) The City Council (the “City Council”) of the City of Beaumont, California (the “City”) has heretofore adopted Resolution No. 2021-20 (the “Resolution of Intention”) stating its intention to form Community Facilities District No. 2021-1 (Fairway Canyon) (the “Community Facilities District”) pursuant to 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 (the “Act”); and

(iv) A copy of the Resolution of Intention setting forth a description of the proposed boundaries of the Community Facilities District, the rate and method of apportionment of special tax for the Community Facilities District (the “Rate and Method”), the facilities and the incidental expenses to be financed by the Community Facilities District (the “Facilities” and “Incidental Expenses,” respectively) and the services to be provided by the Community Facilities District (the “Services”) is on file with the City Clerk, and the Resolution of Intention is incorporated herein by reference; and

(v) A combined notice of a public hearing to be held on June 1, 2021, was published and mailed to all landowners of the land proposed to be included within the Community Facilities District; and

(vi) On June 1, 2021, the City Council opened the public hearing (the “Hearing”) as required by law; and

(vii) At the Hearing there was filed with this City Council a report containing a description of the Facilities and Services necessary to meet the needs of the Community Facilities District and an estimate of the cost of such Facilities as required by Section 53321.5 of the Act (the “Community Facilities District Report”); and

(viii) At the Hearing all persons desiring to be heard on all matters pertaining to the proposed formation of the Community Facilities District and the levy of the special taxes and the issuance of bonded indebtedness were heard and a full and fair hearing was held; and

(ix) At the Hearing, evidence was presented to the City Council on the matters before it, and the proposed formation of the Community Facilities District and the levy of special taxes was not precluded by a majority protest of the type described in Section 53324 of the Act, and this City Council at the conclusion of the hearing is fully advised as to all matters relating to the formation of the Community Facilities District, the levy of the special taxes and the issuance of bonded indebtedness; and

(x) The City Council has determined that there have been no registered voters residing in the proposed boundaries of the Community Facilities District for the period of 90 days prior to the Hearing and that the qualified electors in the Community Facilities District are the landowners within the Community Facilities District; and

(xi) On the basis of all of the foregoing, the City Council has determined at this time to proceed with the establishment of the Community Facilities District and with the calling of an election within the boundaries of the Community Facilities District to authorize (i) the levy of special taxes within the Community Facilities District pursuant to the Rate and Method, (ii) the issuance of bonds by the Community Facilities District to finance the Facilities and Incidental Expenses, and (iii) the establishment of an appropriations limit for the Community Facilities District; and

(xii) The legislative body of the District desires to approve the form of an Acquisition Agreement relating to the District, by and among the City, the District and SDC Fairway Canyon, LLC (the “Acquisition Agreement”);

NOW, THEREFORE, the City Council of the City of Beaumont, California, acting for and on behalf of the City and the Community Facilities District, does resolve, declare, determine and order as follows:

SECTION 1. Each of the above recitals is true and correct.

SECTION 2. The Community Facilities District to be designated “City of Beaumont Community Facilities District No. 2021-1 (Fairway Canyon)” is hereby established pursuant to the Act. The City Council hereby finds and determines that all prior proceedings taken with respect to the establishment of the Community Facilities District were valid and in conformity with the requirements of law, including the Act. This finding is made in accordance with the provisions of Section 53325.1(b) of the Act.

SECTION 3. The boundaries of the Community Facilities District are established as shown on the map designated “Boundary Map City of Beaumont Community Facilities District No. 2021-1 (Fairway Canyon), County of Riverside, State of California,” which map is on file in the office of the City Clerk and was recorded pursuant to Sections 3111 and 3113 of the Streets and Highways Code in the County of Riverside Book of Boundary Maps in the County Recorder’s Office in Book No. 86 at pages 98-99 as Document No. 20210282887 on May 6, 2021.

SECTION 4. The types of Facilities, Services and Incidental Expenses authorized to be provided for the Community Facilities District are those set forth in the Resolution of Intention. The estimated cost of the Facilities, Services and Incidental Expenses to be financed is set forth in the Community Facilities District Report, which estimates may change as the Facilities are designed and bid for construction and acquisition.

The City of Beaumont is authorized by the Act to contribute revenue to, or to construct or acquire the Facilities, all in accordance with the Act. The City Council finds that the proposed Facilities are necessary to meet the increased demand that will be placed upon public infrastructure and the City as a result of new development within the Community Facilities District.

The City Council finds that the proposed Services are necessary to meet the increased demand that will be placed upon public infrastructure and the City as a result of new development within the Community Facilities District

SECTION 5. The City Council hereby adopts the Rate and Method as the rate and method of apportionment for the Community Facilities District. Except where funds are otherwise available, it is the intention of the City Council, subject to the approval of the eligible voters within the Community Facilities District, to levy the proposed special taxes in the Community Facilities District at the rates set forth in the Rate and Method on all non-exempt property therein sufficient to pay (i) the Facilities and the principal and interest and other periodic costs on the bonds proposed to be issued by the Community Facilities District to finance the Facilities, including the establishment and replenishment of reserve funds, any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash) and other expenses of the type permitted by Section 53345.3 of the Act; (ii) the Incidental Expenses; and (iii) the costs for providing the Services. The Community Facilities District expects to incur, and in certain cases has already incurred, Incidental Expenses in connection with the creation of the Community Facilities District, providing for the issuance of bonds, the levying and collecting of the special tax, the completion and inspection of the Facilities, the provision of Services and the annual administration of the bonds and the Community Facilities District. The Rate and Method is described in detail in Exhibit B hereto and incorporated herein by this reference, and the City Council hereby finds that said Exhibit B contains sufficient detail to allow each landowner within the Community Facilities District to estimate the maximum amount that may be levied against each parcel. As described in greater detail in the Community Facilities District Report, which is incorporated by reference herein, the special tax is based on the expected demand that each parcel of real property within the Community Facilities District will place on the Facilities and each parcel of real property's share of the expected costs of the Services and, accordingly, is hereby determined to be reasonable. The special tax shall be levied on each assessor's parcel in the Community Facilities District pursuant to the Rate and Method, but the special tax for Facilities shall not be levied after Fiscal Year 2061-62. The special tax is apportioned to each parcel in the Community Facilities District on the foregoing bases pursuant to Section 53325.3 of the Act and such special tax is not a tax on or a tax based upon the ownership of real property. It is the intention of the City Council that the special tax shall be levied only upon the dissolution of Improvement Area No. 19D and Improvement Area No. 19F and that the dissolution of Improvement Area No. 19D and Improvement Area No. 19F shall be subject to the formation of the Community Facilities District, the approval of the rate and method of apportionment, and the approval of the issuance of the Obligations by the eligible voters therein.

The City's Finance Director will be responsible for preparing annually, or authorizing a designee to prepare, a current roll of special tax levy obligations by assessor's parcel number and will be responsible for estimating future special tax levies pursuant to Section 53340.2 of the Act.

SECTION 6. In the event that a portion of the property within the Community Facilities District shall become for any reason exempt, wholly or partially, from the levy of the special tax specified in the Rate and Method, the City Council shall, on behalf of the Community Facilities District, increase the levy to the extent necessary and permitted by law and these proceedings upon the

remaining property within the Community Facilities District which is not delinquent or exempt in order to yield the required debt service payments on any outstanding bonds for the Community Facilities District or to prevent the Community Facilities District from defaulting on any other obligations or liabilities for the Community Facilities District; provided, however, that under no circumstances shall the Special Tax in the Community Facilities District be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the Community Facilities District by more than ten percent (10%) above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults in the Community Facilities District. The amount of the special tax will be set in accordance with the Rate and Method.

SECTION 7. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all non-exempt real property in the Community Facilities District; and this lien shall continue in force and effect until the special tax obligation is paid and permanently satisfied and the lien canceled in accordance with law or until collection of the special tax by the Community Facilities District ceases.

SECTION 8. Consistent with Section 53325.6 of the Act, the City Council finds and determines that the land within the Community Facilities District, if any, devoted primarily to agricultural, timber or livestock uses and being used for the commercial production of agricultural, timber or livestock products is contiguous to other land within the Community Facilities District and will be benefited by the Facilities proposed to be provided within the Community Facilities District.

SECTION 9. It is hereby further determined that there is no ad valorem property tax currently being levied on property within the proposed Community Facilities District for the exclusive purpose of paying the principal of or interest on bonds or other indebtedness incurred to finance the construction of capital facilities which provide the same services to the territory of the Community Facilities District as are proposed to be provided by the Facilities to be financed by the Community Facilities District.

SECTION 10. The City Council finds and determines that the Services are in addition to those already being provided within the territory of the Community Facilities District prior to its formation and shall not supplant services already available within such territory when the Community Facilities District is created.

SECTION 11. Written protests against the establishment of the Community Facilities District have not been filed by one half or more of the registered voters within the boundaries of the Community Facilities District or by the property owners of one half or more of the area of land within the boundaries of the Community Facilities District. The City Council hereby finds that the proposed special tax has not been precluded by a majority protest pursuant to Section 53324 of the Act.

SECTION 12. An election is hereby called for within the Community Facilities District on the propositions of levying the special tax on the property within the Community Facilities District and establishing an appropriations limit for the Community Facilities District pursuant to Section 53325.7 of the Act and shall be consolidated with the election on the proposition of incurring bonded indebtedness for the Community Facilities District, pursuant to Section 53351 of the Act. The propositions to be placed on the ballot for the Community Facilities District are attached hereto as Exhibit A.

SECTION 13. The date of the elections within the Community Facilities District shall be June 1, 2021, or such later date as is consented to by the City Clerk and the landowners within the

Community Facilities District. The City Clerk shall conduct the election and all ballots shall be received by, and the City Clerk shall close the elections by, 10:00 p.m. on the election day; provided the elections shall be closed at such earlier time as all qualified electors have voted as provided in Section 53326(d) of the Act. Except as otherwise provided by the Act, the elections shall be conducted by personally delivered or mailed ballot and, except as otherwise provided by the Act, the elections shall be conducted in accordance with the provisions of law regulating elections of the City insofar as such provisions are determined by the City Clerk to be applicable.

It is hereby found that there are no registered voters within the territory of the Community Facilities District, and, pursuant to Section 53326 of the Act, each landowner who is the owner of record on the date hereof, or the authorized representative thereof, shall have one vote for each acre or portion thereof that he, she or it owns within the Community Facilities District. The voters shall be the landowners of record within the Community Facilities District as of June 1, 2021.

SECTION 14. The preparation of the Community Facilities District Report is hereby ratified. The Community Facilities District Report, as submitted, is hereby approved and made a part of the record of the public hearing regarding the formation of the Community Facilities District, and is ordered to be kept on file with the transcript of these proceedings and open for public inspection.

SECTION 15. The City Council finds that the formation of the Community Facilities District is not subject to the California Environmental Quality Act (“CEQA”) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the State CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because such formation has no potential for resulting in physical change to the environment, directly or indirectly. Further, if the activity is deemed a project this City Council finds that the formation of the Community Facilities District is exempt pursuant to Section 15061(b)(3) of the State CEQA Guidelines.

SECTION 16. The City may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying any cost incurred by the City in creating the Community Facilities District. The City may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the City Council, with or without interest.

SECTION 17. The form of the Acquisition Agreement presented at this meeting is hereby approved; and any one of the Mayor, the City Manager, the Assistant City Manager, or the Finance Director of the City or the written designee of one of the foregoing (collectively, the “Authorized Officers”) is hereby authorized and directed to execute the Acquisition Agreement in the form hereby approved, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of such Acquisition Agreement.

SECTION 18. This Resolution shall be effective upon its adoption.

MOVED, PASSED AND ADOPTED this 1st day of June 2021.



Lloyd White, Mayor Pro Tempore

I, Nicole Wheelwright, Deputy City Clerk of the City of Beaumont, do hereby certify that the foregoing Resolution was passed and adopted at a regular meeting of the City Council of the City of Beaumont held on the 1st day of June, 2021, by the following vote:

AYES: Santos, Fenn, Martinez, White

NOES:

ABSENT: Lara

ABSTAINED:

ATTEST: 

Nicole Wheelwright, Deputy City Clerk

EXHIBIT A
SAMPLE BALLOT

CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 2021-1 (FAIRWAY CANYON)
SPECIAL TAX AND SPECIAL BOND ELECTION

June 1, 2021

This ballot represents ___ votes.

To vote, write or stamp a cross (“+” or “X”) in the voting square after the word “YES” or after the word “NO”. All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

If you wrongly mark, tear or deface this ballot, return it to the City Clerk of the City of Beaumont and obtain another.

PROPOSITION A: Shall City of Beaumont Community Facilities District No. 2021-1 (Fairway Canyon) (the “Community Facilities District”) incur an indebtedness and issue bonds in the maximum principal amount of \$19,500,000, with interest at a rate or rates not to exceed the maximum interest rate permitted by law, to finance the Facilities and the Incidental Expenses described in Resolution No. 2021-20 of the City Council of the City of Beaumont?

YES _____

NO _____

PROPOSITION B: Shall a special tax with a rate and method of apportionment as provided in the Resolution of Formation adopted by the City Council of the City of Beaumont on June 1, 2021 for the Community Facilities District be levied to pay for the Facilities, Incidental Expenses and Services and the principal of and interest on bonds issued to finance the Facilities and Incidental Expenses and the other purposes described in Resolution No. 2021-20?

YES _____

NO _____

PROPOSITION C: For each year commencing with Fiscal Year 2021-22, shall the appropriations limit, as defined by subdivision (h) of Section 8 of Article XIIB of the California Constitution, for the Community Facilities District be an amount equal to \$2,000,000?

YES _____

NO _____

EXHIBIT B

RATE AND METHOD

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2021-1 (FAIRWAY CANYON) OF THE CITY OF BEAUMONT

The following sets forth the Rate and Method of Apportionment for the levy and collection of the Special Tax for Maintenance Services, Special Tax for Public Services and the Special Tax for Facilities in Community Facilities District No. 2021-1 (Fairway Canyon) ("CFD No. 2021-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the Rate and Method of Apportionment described below. All of the real property in CFD No. 2021-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"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, or other recorded County parcel map or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2021-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City, designee thereof, or both); the costs of collecting the Special Taxes (whether by the City 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. 2021-1, or any designee thereof complying with arbitrage rebate requirements; the costs to the City, CFD No. 2021-1, or any designee thereof complying with City or major property owner disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs associated with the release of funds from an escrow account; and the costs associated with the issuance of Bonds, 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. 2021-1 for any other administrative purposes, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure, or otherwise addressing the disposition of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2021-1.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

"Assigned Special Tax" means the Special Tax of that name described in Section E below.

"Backup Special Tax for Facilities" means the Special Tax of that name described in Section F below.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes for Facilities have been pledged.

"Boundary Map" means a recorded map of CFD No. 2021-1 which indicates the boundaries of CFD No. 2021-1.

"Building Permit" means a permit for new construction for a residential dwelling or non-residential structure. For purpose of this definition, "Building Permit" shall not include permits for construction or installation, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel, as determined by the CFD Administrator.

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

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Maintenance Services, the Special Tax Requirement for Public Services, and providing for the levy and collection of the Special Taxes.

"CFD No. 2021-1" or "CFD" means City of Beaumont Community Facilities District No. 2021-1 (Fairway Canyon) established by the City under the Act.

"City" means the City of Beaumont.

"City Council" means the City Council of the City, acting as the legislative body of CFD No. 2021-1, or its designee.

"Consumer Price Index" or "CPI" means the Consumer Price Index published by the U.S. Bureau of Labor Statistics for "All Items for All Urban Consumers: in the Riverside-San Bernardino-Ontario area." In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the Riverside-San Bernardino-Ontario area.

"County" means the County of Riverside.

"Developed Property" means all Parcels of Taxable Property that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied and for which a Building Permit for new construction has been issued on or prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

"Dwelling Unit" means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section K, as determined by the CFD Administrator.

"Final Map" means a subdivision of property evidenced by the 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 the recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which building permits may be issued without further subdivision.

"Final Map Property" means Assessor's Parcels: (i) that are included in a Final Map that was recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied, as determined by the CFD Administrator.

"Fiscal Year" means the period commencing on July 1 of any year 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.

"Land Use Category" means any of the categories listed in the tables included in Section E.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maintenance Services" means the services permitted under the Act including, without limitation, street sweeping, traffic signal maintenance, the maintenance of landscaping and lighting of publicly owned parks, parkways, streets, roads and open spaces, flood and storm protection services, and the operation of storm drainage systems contained within the boundaries of CFD No. 2021-1 and the City.

"Maintenance Services (Contingent)" means the Maintenance Services described above and permitted under the Act, contained within CFD No. 2021-1 and the City, which are proposed to be maintained and paid for through the Property Owner Association, and all to which the City has been granted an easement allowing such maintenance in any Fiscal Year following a Failure to Perform as defined in Section D hereof.

"Maximum Special Tax" means the Maximum Special Tax for Facilities, the Maximum Special Tax for Maintenance Services, the Maximum Special Tax for Public Services, and the Maximum Special Tax for Maintenance Services (Contingent).

"Maximum Special Tax for Facilities" means the maximum Special Tax for Facilities, determined in accordance with Section C, which can be levied by CFD No. 2021-1 in any Fiscal Year on any Assessor's Parcel.

"Maximum Special Tax for Maintenance Services" means the maximum Special Tax for Maintenance Services, determined in accordance with Section C, which can be levied by CFD No. 2021-1 in any Fiscal Year on any Assessor's Parcel.

"Maximum Special Tax for Maintenance Services (Contingent)" means the maximum Special Tax for Maintenance Services (Contingent), determined in accordance with Section C, which can be levied

by CFD No. 2021-1 on any Assessor's Parcel for any Fiscal Year following the Fiscal Year in which there is a Failure to Perform as defined in Section D hereof. The Maximum Special Tax for Maintenance Services (Contingent), if levied, will be levied on all parcels in addition to, and not in lieu of, the Maximum Special Tax for Maintenance Services.

"Maximum Special Tax for Public Services" means the maximum Special Tax for Public Services, determined in accordance with Section C, which can be levied by CFD No. 2021-1 in any Fiscal Year on any Assessor's Parcel.

"Minimum Acreage" means the smallest allowable amount of taxable acreage. For CFD No. 2021-1, it shall not be less than 62.11 acres. The minimum acreage per Zone is as follows: (i) Zone 1 – 7.87 acres, (ii) Zone 2 – 22.00 acres, (iii) Zone 3 – 15.19 acres, and (iv) Zone 4 – 17.05 acres.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for any type of non-residential use, as determined by the CFD Administrator.

"Operating Fund for Maintenance Services" means a fund that shall be maintained for CFD No. 2021-1 for any Fiscal Year to pay for the actual costs of providing the Maintenance Services and the Administrative Expenses attributable to providing such Maintenance Services.

"Operating Fund for Maintenance Services (Contingent)" means a fund that shall be maintained for CFD No. 2021-1 for any Fiscal Year to pay for the actual costs of providing the Maintenance Services (Contingent) and the Administrative Expenses attributable to providing such Maintenance Services (Contingent).

"Operating Fund for Public Services" means a fund that shall be maintained for CFD No. 2021-1 for any Fiscal Year to pay for the actual costs of providing the Public Services and the Administrative Expenses attributable to providing such Public Services.

"Operating Fund Balance" means the amount of funds in the applicable Operating Fund at the end of the preceding Fiscal Year.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax for the Facilities obligation for an Assessor's Parcel, as described in Section I.

"Prepayment Amount" means the amount required to prepay the Special Tax for the Facilities obligation in full for an Assessor's Parcel, as described in Section H.

"Property Owner Association" means the Fairway Canyon Community Association, or its successors, which was formed for the purpose of marketing, selling, and managing the common interests of the homes and lots within CFD No. 2021-1.

"Property Owner's Association Property" means all Assessor's Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, have been conveyed, dedicated to, or irrevocably offered for dedication to the Property Owner Association, including any master or sub-association.

"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 Parcels of Developed Property, (ii) Final Map Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all Parcels of Final Map Property, and (iii) Undeveloped Property, Public Property, and Property Owners' 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 Parcels of Undeveloped Property, Public Property, and Property Owners' Association Property.

"Public Property" means all Assessor's Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other local jurisdiction, 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 taxed and classified according to its use.

"Public Services" means the services permitted under the Act including, without limitation, police and fire protection, ambulance and paramedic services provided within the boundaries of CFD No. 2021-1 and the City.

"Residential Floor Area" means all the square footage of living area within the perimeter of a residential dwelling unit, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The CFD Administrator shall determine the Residential Floor Area based upon the Building Permit issued for such residential dwelling unit.

"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, as determined by the CFD Administrator.

"Special Tax(es)" means the Special Tax for Facilities, the Special Tax for Maintenance Services, the Special Tax for Public Services, and the Special Tax for Maintenance Services (Contingent).

"Special Tax for Facilities" means any of the Special Taxes authorized to be levied within CFD No. 2021-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

"Special Tax for Maintenance Services" means any of the Special Taxes authorized to be levied by CFD No. 2021-1 pursuant to the Act to fund the Special Tax Requirement for Maintenance Services. Under no circumstances shall this Special Tax be eligible for prepayment of any kind.

"Special Tax for Maintenance Services (Contingent)" means any of the Special Taxes authorized to be levied by CFD No. 2021-1 pursuant to the Act to fund the Special Tax Requirement for Maintenance Services (Contingent). Under no circumstances shall this Special Tax be eligible for prepayment of any kind. The Special Tax for Maintenance Services (Contingent), if levied, will be levied on all parcels in addition to, and not in lieu of, the Special Tax for Maintenance Services.

"Special Tax for Public Services" means any of the Special Taxes authorized to be levied by CFD No. 2021-1 pursuant to the Act to fund the Special Tax Requirement for Public Services. Under no circumstances shall this Special Tax be eligible for prepayment of any kind.

"Special Tax Requirement for Facilities" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2021-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Final Map Property or Undeveloped Property, less (vi) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond Indenture, fiscal agent agreement, or trust agreement.

"Special Tax Requirement for Maintenance Services" means the amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2021-1 for Maintenance Services in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the (i) direct costs for Maintenance Services, (ii) amount necessary to fund an operating reserve for the costs of Maintenance Services as determined by the Administrator, and (iii) Administrative Expenses, less (iv) a credit in an amount equal to the Operating Fund Balance. Under no circumstances shall the Special Tax Requirement for Maintenance Services include funds for bonds.

"Special Tax Requirement for Maintenance Services (Contingent)" means that amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2021-1 for Maintenance Services (Contingent) in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the (i) direct costs for Maintenance Services (Contingent), (ii) amount necessary to fund an operating reserve for the costs of Maintenance Services (Contingent) as determined by the CFD Administrator, and (iii) Administrative Expenses, less (iv) a credit in an amount equal to the Operating Fund Balance. Under no circumstances shall the Special Tax Requirement for Maintenance Services (Contingent) include funds for bonds. The Special Tax Requirement for Maintenance Services (Contingent), if initiated, will be applied to all parcels in addition to, and not in lieu of, the Special Tax Requirement for Maintenance Services.

"Special Tax Requirement for Public Services" means the amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2021-1 for Public Services in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the (i) direct costs for Public Services, (ii) amount necessary to fund an operating reserve for the costs of Public Services as determined by the Administrator, and (iii) Administrative Expenses, less (iv) a credit in an amount equal to the Operating Fund Balance. Under no circumstances shall the Special Tax Requirement for Public Services include funds for bonds.

"Taxable Property" means all Assessor's Parcels within CFD No. 2021-1, which are not Exempt Property, as determined by the CFD Administrator.

"Trustee" means the firm that holds and administers assets on behalf of CFD No. 2021-1 under and pursuant to the Indenture.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property or Final Map Property, as determined by the CFD Administrator.

"Zone(s)" means Zone 1, 2, 3, or 4 as geographically identified on the Boundary Map.

"Zone 1" means the specific geographic area as depicted on the Boundary Map.

"Zone 2" means the specific geographic area as depicted on the Boundary Map.

"Zone 3" means the specific geographic area as depicted on the Boundary Map.

"Zone 4" means the specific geographic area as depicted on the Boundary Map.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2021-22, each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be assigned to one of the four Zones based upon its geographic location and further classified as Developed Property, Final Map Property, or Undeveloped Property. In addition, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non-Residential Property. Lastly, Assessor's Parcels of Residential Property shall be further categorized into Land Use Categories based on the Residential Floor Area for such Assessor's Parcel.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Special Tax for Facilities in the tables included in Section E below or (ii) the application of the Backup Special Tax for Facilities. The Maximum Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be the Assigned Special Tax in the tables included in Section E below.
- b. The Maximum Special Tax for Maintenance Services for each Assessor's Parcel of Residential Property that is classified as Developed Property in Fiscal Year 2021-22 shall be \$205 per unit and is applicable to all four Zones. The Maximum Special Tax for Maintenance Services for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in Fiscal Year 2021-22 shall be \$1,744 per Acre and is applicable to all four Zones.

On each July 1, commencing July 1, 2022, the Maximum Special Tax for Maintenance Services for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the twelve-month period ending in January of the prior Fiscal Year or (ii) two percent (2%).

- c. The Maximum Special Tax for Maintenance Services (Contingent) for each Assessor's Parcel of Residential Property that is classified as Developed Property in Fiscal Year 2021-22 shall be \$624 per unit and is applicable to all four Zones. The Maximum Special Tax for Maintenance Services (Contingent) for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property in Fiscal Year 2021-22 shall be \$5,310 per Acre and is applicable to all four Zones. The Maximum Special Tax for Maintenance Services (Contingent), if levied, will be levied on all parcels in addition to, and not in lieu of, the Maximum Special Tax for Maintenance Services.

On each July 1, commencing July 1, 2022, the Maximum Special Tax for Maintenance Services (Contingent) for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the twelve-month period ending in January of the prior Fiscal Year or (ii) two percent (2%).

- d. The Maximum Special Tax for Public Services for each Assessor's Parcel of Residential Property that is classified as Developed Property in Fiscal Year 2021-22 shall be \$509 per unit and is applicable to all four Zones.

On each July 1, commencing July 1, 2022, the Maximum Special Tax for Public Services for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the twelve-month period ending in January of the prior Fiscal Year or (ii) five percent (5%).

2. Final Map Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Final Map Property shall be the Assigned Special Tax for the Zone in which the Assessor's Parcel is located as set forth in Section E below.
- b. The Maximum Special Tax for Maintenance Services for each Assessor's Parcel of Residential and Non-Residential Property that is classified as Final Map Property in Fiscal Year 2021-22 shall be \$1,744 per Acre and is applicable to all four Zones.

On each July 1, commencing July 1, 2022, the Maximum Special Tax for Maintenance Services for the prior Fiscal Year shall be adjusted by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the twelve-month period ending in January of the prior Fiscal Year or (ii) two percent (2%).

- c. The Maximum Special Tax for Maintenance Services (Contingent) for each Assessor's Parcel of Residential and Non-Residential Property that is classified as Final Map Property in Fiscal Year 2021-22 shall be \$5,310 per Acre and is applicable to all four Zones. The Maximum Special Tax for Maintenance Services (Contingent), if levied, will be levied on all parcels in addition to, and not in lieu of, the Maximum Special Tax for Maintenance Services.

On each July 1, commencing July 1, 2022, the Maximum Special Tax for Maintenance Services (Contingent) for the prior Fiscal Year shall be adjusted by the greater of i) an amount equal to the percentage change increase in the Consumer Price Index for the twelve-month period ending in January of the prior Fiscal Year or ii) two percent (2%).

- d. Final Map Property shall not be subject to the Maximum Special Tax for Public Services.

3. Undeveloped Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Undeveloped Property shall be the Assigned Special Tax for the Zone in which the Assessor's Parcel is located as set forth in Section E below.
- b. Undeveloped Property shall not be subject to the Maximum Special Tax for Maintenance Services or the Maximum Special Tax for Maintenance Services (Contingent).
- c. Undeveloped Property shall not be subject to the Maximum Special Tax for Public Services.

**SECTION D
AUTHORITY TO LEVY SPECIAL TAX FOR MAINTENANCE SERVICES
(CONTINGENT)**

The City Council may levy the Special Tax for Maintenance Services (Contingent), applicable to all four Zones, commencing in the first Fiscal Year following the occurrence of any of the following events (each such event, a “**Failure to Perform**”):

- a. the Property Owner Association files a voluntary petition in bankruptcy or the approval by a court of competent jurisdiction of a petition applicable to the Property Owner Association of any proceedings instituted under the Federal Bankruptcy Code, as amended;
- b. the Property Owner Association is dissolved;
- c. the Property Owner Association fails to levy annual assessments sufficient to fund (i) the maintenance for the then Property Owner Association owned and/or Property Owner Association maintained Maintenance Services (Contingent) or (ii) the replacement of such facilities related to the Maintenance Services (Contingent) in accordance with (A) the requirements of the then current reserve funding plan of the Property Owner Association performed pursuant to California Civil Code Section 5550 or (B) if California Civil Code 5550 is no longer applicable, the requirements of the then applicable law and/or regulations governing the Property Owner Association’s requirements to budget for and finance such replacement; or
- d. the Property Owner Association fails to maintain the Maintenance Services at the same level as defined within the Property Owner Association maintenance specifications. In the event the Property Owner Association maintenance specifications do not meet either the City or County maintenance requirements, the City Council will have sole discretion to determine the required level of maintenance required for purposes of this section.

In the event of the occurrence of a Failure to Perform described in “c.” or “d.” above, the City shall give the Property Owner Association written notice of such event. If such Failure to Perform is reasonably capable of being cured within sixty (60) days from the date of such notice, the Property Owner Association shall have such period of time to cure such Failure to Perform prior to the levy by the City Council of Special Tax for Maintenance Services (Contingent). If such Failure to Perform is such that it is reasonably capable of being cured, but not within such sixty (60) day period and the Property Owner Association (i) initiates corrective action within such sixty (60) day period, and (ii) diligently, continually, and in good faith works to effect a cure of such Failure to Perform as soon as possible, then the Property Owner Association shall have such additional time, as is reasonably necessary, to cure such Failure to Perform prior to the levy by the City Council of Special Tax for Maintenance Services (Contingent).

The City Council may suspend the levy of Special Tax for Maintenance Services (Contingent) if the Property Owner Association has cured the Failure to Perform to the satisfaction of the City Council and the Property Owner Association has agreed to such conditions as the City Council may find necessary to minimize the occurrence of such Failure to Perform in the future. In the event the City Council initiates the Special Tax for Maintenance Services (Contingent), it will apply to all taxable parcels in addition to, and not in lieu of, the Special Tax for Maintenance Services.

SECTION E ASSIGNED SPECIAL TAX FOR FACILITIES

1. Developed Property

Each Fiscal Year, beginning with Fiscal Year 2021-22, each Assessor’s Parcel of Developed Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to

an Assessor's Parcel of Developed Property for any Fiscal Year shall be determined pursuant to Tables 1 - 4 below based upon the Zone in which the Assessor's Parcel is located.

**TABLE 1
ASSIGNED SPECIAL TAX RATES FOR FACILITIES
FOR DEVELOPED PROPERTY WITHIN ZONE 1**

Land Use Category	Building Square Footage	Assigned Special Tax
Residential Property	Less than 1,801	\$1,745 per Dwelling Unit
Residential Property	1,801 – 2,000	\$1,845 per Dwelling Unit
Residential Property	2,001 – 2,200	\$1,945 per Dwelling Unit
Residential Property	2,201 – 2,400	\$2,045 per Dwelling Unit
Residential Property	2,401 – 2,600	\$2,145 per Dwelling Unit
Residential Property	2,601 – 2,800	\$2,245 per Dwelling Unit
Residential Property	Greater than 2,800	\$2,345 per Dwelling Unit
Non-Residential Property	N/A	\$18,347 per Acre

**TABLE 2
ASSIGNED SPECIAL TAX RATES FOR FACILITIES
FOR DEVELOPED PROPERTY WITHIN ZONE 2**

Land Use Category	Building Square Footage	Assigned Special Tax
Residential Property	Less than 1,801	\$1,545 per Dwelling Unit
Residential Property	1,801 – 2,000	\$1,645 per Dwelling Unit
Residential Property	2,001 – 2,200	\$1,745 per Dwelling Unit
Residential Property	2,201 – 2,400	\$1,845 per Dwelling Unit
Residential Property	2,401 – 2,600	\$1,945 per Dwelling Unit
Residential Property	2,601 – 2,800	\$2,045 per Dwelling Unit
Residential Property	Greater than 2,800	\$2,145 per Dwelling Unit
Non-Residential Property	N/A	\$16,210 per Acre

**TABLE 3
ASSIGNED SPECIAL TAX RATES FOR FACILITIES
FOR DEVELOPED PROPERTY WITHIN ZONE 3**

Land Use Category	Building Square Footage	Assigned Special Tax
Residential Property	Less than 1,401	\$1,840 per Dwelling Unit
Residential Property	1,401 – 1,600	\$1,930 per Dwelling Unit
Residential Property	1,601 – 1,800	\$2,020 per Dwelling Unit
Residential Property	1,801 – 2,000	\$2,110 per Dwelling Unit
Residential Property	2,001 – 2,200	\$2,200 per Dwelling Unit
Residential Property	2,201 – 2,400	\$2,290 per Dwelling Unit
Residential Property	Greater than 2,400	\$2,380 per Dwelling Unit
Non-Residential Property	N/A	\$19,194 per Acre

**TABLE 4
ASSIGNED SPECIAL TAX RATES FOR FACILITIES
FOR DEVELOPED PROPERTY WITHIN ZONE 4**

Land Use Category	Building Square Footage	Assigned Special Tax
Residential Property	Less than 1,401	\$1,640 per Dwelling Unit
Residential Property	1,401 – 1,600	\$1,730 per Dwelling Unit
Residential Property	1,601 – 1,800	\$1,820 per Dwelling Unit
Residential Property	1,801 – 2,000	\$1,910 per Dwelling Unit
Residential Property	2,001 – 2,200	\$2,000 per Dwelling Unit
Residential Property	2,201 – 2,400	\$2,090 per Dwelling Unit
Residential Property	Greater than 2,400	\$2,180 per Dwelling Unit
Non-Residential Property	N/A	\$14,991 per Acre

2. Final Map Property and Undeveloped Property

Each Fiscal Year, beginning with Fiscal Year 2021-22, each Assessor’s Parcel of Final Map Property and Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Final Map Property and Undeveloped Property for any Fiscal Year shall be determined pursuant to the rate per Acre below for the Zone in which the Assessor's Parcel is located:

1. Zone 1 rate per Acre - \$18,347
2. Zone 2 rate per Acre - \$16,210
3. Zone 3 rate per Acre - \$19,194
4. Zone 4 rate per Acre - \$14,991

**SECTION F
BACKUP SPECIAL TAX FOR FACILITIES**

When a Final Map is recorded, the CFD Administrator shall determine which Zone the Final Map area lies within and the Backup Special Tax for a Parcel classified or to be classified as Residential Property within such Final Map shall be determined by multiplying the Undeveloped Property Maximum Special Tax rate per Acre for the applicable Zone by the total Acreage of Taxable Property within such Final Map, excluding the Acreage associated with Non-Residential Property, Public Property and/or Property Owners’ Association Property that is not Exempt Property pursuant to Section J and dividing such amount by the number of Parcels within such Final Map classified as either (i) Developed Property or (ii) Final Map Property for which a Building Permit is expected to be issued for Residential Property (i.e., the number of residential lots).

Notwithstanding the forgoing, if Parcels classified or to be classified as Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

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

SECTION G
METHOD OF APPORTIONMENT OF THE SPECIAL TAXES

1. Commencing with Fiscal Year 2021-22 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Facilities on all Taxable Property until the amount of Special Tax for Facilities equals the Special Tax Requirement for Facilities in accordance with the following steps:

Step One: The Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax for Facilities rates in the table included in Section E as needed to satisfy the Special Tax Requirement for Facilities.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

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

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

Step Five: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Property Owner's Association Property found not to be exempt pursuant to Section K and each Assessor's Parcel of Public Property found not to be exempt pursuant to Section K, at up to 100% of the Maximum Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

2. Commencing with Fiscal Year 2021-22 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Maintenance Services on all Taxable Property until the amount of Special Tax for Maintenance Services equals the Special Tax Requirement for Maintenance Services in accordance with the following steps:

Step One: The Special Tax for Maintenance Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Maintenance Services as needed to satisfy the Special Tax Requirement for Maintenance Services.

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Maintenance Services after the first step has been completed, the Special Tax for Maintenance Services shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Maximum Special Tax for Maintenance Services applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Maintenance Services.

3. Commencing with Fiscal Year 2021-22 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Public Services on all Taxable Property until the amount of the Special Tax for Public Services equals the Special Tax Requirement for Public Services in accordance with the following steps:

Step One: The Special Tax for Public Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Public Services as needed to satisfy the Special Tax Requirement for Public Services.

4. In the first Fiscal Year that the Special Taxes for Maintenance Services (Contingent) is levied and in any subsequent Fiscal Year, the City Council shall levy Special Taxes for Maintenance Services (Contingent) on all Taxable Property until the amount of Special Tax for Maintenance Services (Contingent) equals the Special Tax Requirement for Maintenance Services (Contingent) in accordance with the following steps:

Step One: The Special Tax for Maintenance Services (Contingent) shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Maintenance Services (Contingent) as needed to satisfy the Special Tax Requirement for Maintenance Services (Contingent).

Step Two: If additional moneys are needed to satisfy the Special Tax Requirement for Maintenance Services (Contingent) after the first step has been completed, the Special Tax for Maintenance Services (Contingent) shall be levied Proportionately on each Assessor's Parcel of Final Map Property, at up to 100% of the Maximum Special Tax for Maintenance Services (Contingent) applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Maintenance Services (Contingent).

Under no circumstances will the Special Tax for Facilities, the Special Tax for Maintenance Services, the Special Tax for Maintenance Services (Contingent), or the Special Tax for Public Services levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Parcels within the CFD by more than ten percent (10%) of the Special Tax that would have been levied in that Fiscal Year, had there never been any such delinquencies or defaults, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of CFD No. 2021-1.

SECTION H PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following additional definitions apply to this Section H:

“CFD Public Facilities” means \$13,460,835 or such lesser amount as determined by the CFD Administrator, expressed in 2021 dollars, which shall increase by the Construction Inflation Index on January 1, 2022, and on each January 1 thereafter, or such lower amount (i) shall be determined by the

City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2021-1, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2021-1.

“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 Construction Inflation Index shall be another index as determined by the City 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 minus public facility costs available to be funded through existing construction or escrow accounts that have been funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

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

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property, Undeveloped Property for which a building permit has been issued, or an Assessor's Parcel of Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the City with written notice of intent to prepay, and within five (5) days of receipt of such notice, the City shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2021-1 in calculating the proper amount of a prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the City shall notify such owner of the prepayment amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance
plus	Administrative Fee
less	Reserve Fund Credit
equals	Prepayment Amount

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

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities applicable to the Assessor's Parcel. For Assessor's Parcels of Final Map Property or Undeveloped Property, compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities as though it was already designated as Developed Property based upon the building permit issued or to be issued for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property, Final Map Property, or Undeveloped Property to be prepaid, (a) divide the Assigned Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the CFD Administrator, and (b) divide the Backup Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the CFD Administrator.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the Future Facilities Cost.
6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount"). Notwithstanding the foregoing, the Future Facilities Amount shall in no event be less than 0.
7. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 11) to be redeemed with the proceeds of the Prepayment Amount until the earliest redemption date for the Outstanding Bonds.
8. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the Outstanding Bonds.
9. Subtract the amount computed pursuant to paragraph 8 from the amount computed pursuant to paragraph 7. This difference is the "Defeasance."
10. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
11. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the

applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to a Special Tax for Facilities obligation that is prepaid pursuant to this Section H, the City Council shall indicate in the records of CFD No. 2021-1 that there has been a prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax for Facilities obligation and the release of the Special Tax for Facilities lien on such Assessor's Parcel and the obligation of such Assessor's Parcel to pay such Special Taxes for Facilities shall cease.

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

SECTION I PARTIAL PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Final Map Property, or Undeveloped Property for which a building permit has been issued and will be classified as Developed Property in the next Fiscal Year, as calculated in this Section I below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid.

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

$$PP = P_H \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.

P_H = the Prepayment Amount calculated according to Section H.

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax for Facilities obligation.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the record of CFD No. 2021-1 that there has been a partial prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax for Facilities obligation, to indicate the partial prepayment of the Special Tax for Facilities obligation and the partial release of the Special Tax

for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax for Facilities shall cease.

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

SECTION J TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax for Facilities shall be levied on all Assessor's Parcels subject to the Special Tax for Facilities. If any delinquent Special Tax for Facilities remain uncollected prior to or after all Bonds are retired, the Special Tax for Facilities may be levied to the extent necessary to reimburse CFD No. 2021-1 for uncollected Special Taxes for Facilities associated with the levy of such Special Taxes for Facilities, but no later than 2061-62 Fiscal Year. The Special Tax for Maintenance Services, the Special Tax for Maintenance Services (Contingent), and the Special Tax for Public Services shall be levied as long as each is needed to meet the Special Tax Requirement for Maintenance Services, the Special Tax Requirement for Maintenance Services (Contingent), and the Special Tax Requirement for Public Services, respectively, as determined at the sole discretion of the City Council.

SECTION K EXEMPTIONS

The City shall classify as Exempt Property (i) Assessor's Parcels defined as Public Property, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a Property Owner's Association, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement. Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property within a Zone if such classification would reduce the sum of the Taxable Property to less than the Minimum Acreage for that Zone, as defined in Section A above. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of the Taxable Property to less than the Minimum Acreage per Zone will continue to be classified as Taxable Property, and will continue to be subject to Special Taxes accordingly.

Tax-exempt status will be assigned by the CFD Administrator in chronological order. If an Assessor's Parcel's classification is changed after the initial status is assigned, then its tax-exempt status will be revoked.

SECTION L APPEALS

Any taxpayer may file a written appeal of the Special Taxes on his/her Assessor's Parcel(s) with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the

CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) amend the Special Tax levy for the current Fiscal Year prior to the payment date;
- (ii) require the CFD to reimburse the taxpayer the amount of the overpayment to the extent of the available funds of CFD No. 2021-1; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within CFD No. 2021-1 in the amount of the overpayment provided that the CFD Administrator can certify there are sufficient Special Taxes to pay for the Special Tax Requirements for Facilities.

SECTION M 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 CFD No. 2021-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

SECTION N INTERPRETATIONS

The City Council may interpret this Rate and Method of Apportionment of Special Tax by ordinance or resolution for purposes of clarifying any vagueness or ambiguity. Any decision of the City Council shall be final and binding as to all persons.