

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

CITY OF MORENO VALLEY COMMUNITY FACILITIES DISTRICT NO. 87-1 (TOWNGATE)

Introduction

The special tax applicable to each Assessor's Parcel in the District shall be levied by the City by applying the appropriate rate for Developed Property and Undeveloped Property as herein defined. Developed Property shall be the property within the District for which a Certificate of Occupancy or Building Permit Finalization has been issued or for which a determination of suitability of use has been made, on or before July 1 of any calendar year. All other property within the District shall be deemed Undeveloped Property.

All property within the District except that exempted by law shall be taxed as herein provided. As of July 1 of each year, all property in the District not exempt from the special tax of the District shall be identified and designated as either Developed Property or Undeveloped Property. Simultaneously, each Assessor's Parcel within the boundaries of the District shall be identified as being within Planning Units One through Seven as shown on the map of Specific Plan No. 200 (the "Specific Plan") approved for the property within the District by the City.

Special Tax Levy

The special tax shall be imposed, administered, levied and collected annually as follows:

1. The District shall be divided into two zones, as follows:
 - (a) Zone A shall include Planning Units Two, Three, Five and Six which will be served by the Public Facilities constructed and/or acquired by use of the proceeds of the 1988 Bonds.
 - (b) Zone B shall include all Planning Units in the District, which are Planning Units One, Two, Three, Four, Five, Six and Seven which will be served by the Public Facilities constructed and/or acquired by the use of the proceeds of the 1988 Bonds and the 1991 Bonds.
2. The City shall ascertain the amount of interest, principal and administrative expense for the levy and collection of the Special Tax that will be payable by the District in the next fiscal year ("District Fiscal Obligation") for the Series A and Series B Bonds. For this purpose, administrative expense shall be only those ordinary and reasonable expenses necessary to properly administer the levy and collection of the Special Tax of the District.
3. The City shall ascertain for the next fiscal year the amounts of contributions available to the District from other sources (the "Contributions").
4. The City shall subtract the Contributions, if any, from the District Fiscal Obligation. The result from that computation is the amount that shall be levied and collected within the District in the next fiscal year as hereinafter provided ("Special Tax Levy").

5. The Special Tax Levy for Zone A shall be levied as to Developed Property and Undeveloped Property as follows:

The Special Tax Levy shall first be uniformly applied to the Developed Property in an amount not to exceed \$11,500.00 per net acre. The maximum special tax of \$11,500.00 shall be applied to the Developed Property prior to the levy of any special tax on the Undeveloped Property. The remaining Special Tax Levy, if any, shall then be uniformly applied to the Undeveloped Property within Zone A which amount shall not exceed \$11,500.00 per net acre. Should the special tax on Developed Property within Zone A be less than \$11,500.00 per net acre, such Special Tax shall not subsequently be increased solely as result of the sale of the 1991 Bonds. The Special Tax on Developed Property within Zone A shall not be reduced below \$7,800.00 prior to the sale of 1991 Bonds, except as a result of Contributions available to the District. For this purpose, the minimum special tax of \$7,800.00 shall be reduced by Contributions as follows: $\$7,800.00 \times [1 - (\text{Contribution}/\$2,000,000.00)] = \text{adjusted minimum special tax}$.

6. The Special Tax levy for Zone B shall be levied as to Developed Property and Undeveloped Property as follows:

At such time as the 1991 Bonds have been sold, the principal and interest for the 1991 Bonds will be included in the District Fiscal Obligation and the Special Tax Levy shall be allocated to the Planning Units within Zone B of the District, which are all the Planning Units within the District. The Special Tax Levy shall first be uniformly applied to the Developed Property in an amount not-to-exceed \$11,500.00 per net acre. The maximum special tax of \$11,500.00 shall be applied to the Developed Property prior to the levy of any Special Tax on the Undeveloped Property. The remaining Special Tax Levy if any, shall then be uniformly applied to the Undeveloped Property on a net acreage basis within Zone B. Zone A shall become a part of Zone B in all respects except that (i) the Special Tax levied on Developed Property in Zone A will not be increased solely by reason of the sale of the 1991 Bonds; and (ii) the minimum tax of \$7,800.00 per net acre for Developed Property within Zone A will no longer be applicable.

7. In the event that any parcel within a Planning Unit of the District becomes exempt from the levy and collection of the Special Tax Levy, the authorized indebtedness related to such parcel (including the proportionate share of the future indebtedness related to the Series A and Series B Bonds) is intended to continue to be due and payable at the same rate and time as the Special Tax, or due and payable in full from the acquiring party prior to and as a condition of the change in designated land use or transfer of ownership.

8. Owners of property may discharge their Special Tax Obligation by paying off such obligation in cash as hereinafter discussed.

Payoff of Special Tax Obligation

The District will permit property owners of both Developed and Undeveloped Property to discharge their Special Tax obligation by paying off such obligation in cash. The amount of such payment shall be at least sufficient to provide for the defeasance or payment in full of such property owner's proportionate share of the Series A and Series B Bonds.

It is the responsibility of the property owner to pay the current year's Special Tax obligation, if any, and to cure any delinquent Special Tax installments prior to the District's accepting the payoff of the Special Tax obligation.

Upon City staff recommendation, or upon request by a property owner within the District, the Legislative Body may periodically consider reasonable modifications of the payoff formula in consideration of the changes in, or resolution of, contingencies and unknown items inherent in the District. At least fifteen (15)

days prior to the consideration of the modifications by the Legislative Body, the District shall mail written notice of the proposed modifications by first class mail to all property owners within the District who have filed with the City Clerk's office written request for such notice.

Additional Disclosure

1. The maximum special tax of \$11,500.00 per net acre is about one and one-half times the estimated average debt service per acre, assuming an interest rate of approximately 8% per annum.

2. Since the annual Special Tax Levy (Net of Contributions) is first applied to the Developed Property at the maximum Special Tax rate of \$11,500.00 per net acre prior to the levy of any Special Tax on the Undeveloped Property the following are noted:

(a) the initial properties developed may pay a larger share of the financing cost of the Public Facilities than those properties subsequently developed; and

(b) contributions made to the District from property tax increment or other sources will first reduce the Special Tax upon the Undeveloped Property and thus, the maximum special tax on Developed Property of \$11,500.00 per acre will not be reduced until the Special Tax upon the Undeveloped Property is eliminated.

3. The Developed Property within the boundaries of the District is subject to the maximum Special Tax of \$11,500.00 per net acre per year. However, the actual Special Tax for the Developed Properties may be less than the maximum special tax if:

(a) more than two thirds of the acreage within the District is developed; and/or

(b) contributions from property tax increment or other sources for annual debt service are in excess of those required to eliminate the Special Tax on Undeveloped Property; and/or

(c) bonds are issued in amounts less than currently authorized; and/or

(d) market interest rates at the time bonds are issued are less than those used in developing the maximum special tax.

Net Acreage - Developed Property

Net Acreage will be Basic Acreage adjusted to eliminate any of the following:

- Easements for public streets which are held by a public agency.
- Easements for public purposes which effectively restrict any private beneficial use of the land such as open flood control channels, sumps, etc.
- Easements for power transmission line purposes wherein surface usages other than agriculture are prohibited.
- Any easement which effectively excludes the use of land surface for purposes directly or indirectly related to the property paying the Special Tax.

All other uses will be included in calculating the Net Acreage including, but not limited to:

- Public or private alleys providing access to the properties within the District.

- All underground easements where surface parking rights are retained.
- Open spaces.
- Private parks.
- Common areas including common operational areas such as refuse storage facilities, etc.

The Special Tax will not be individually applied to separate parcels which would have no intrinsic value in the event of a tax sale. Where open spaces, access ways other than streets, private parks, common areas, etc., are a part of or are directly associated with an Assessor's Parcel, the area will be included in the area of the Assessor's Parcel. Where such uses are separate fee owned Assessor's Parcels, the acreage of such parcels will be proportionally assigned to the properties which they are intended to serve and benefit.

Net Acreage - Undeveloped Properties

The method of calculating the Net Acreage for Undeveloped Properties will be the same as that used for Developed Properties except that no acreage allocations for common areas, open space, private parks or items related to development will be made to Undeveloped Properties.

Timing of Levy of the Special Tax

It is intended that any Assessor's Parcel, when all or any portion of it has been developed to its final use, shall then qualify as Developed Property under the Special Tax formula. An explanation of this intent follows.

The Special Tax shall be levied for the fiscal year immediately following completion of a structure and issuance by the City of a Certificate of Occupancy or Building Permit Finalization for the structure. A Certificate of Occupancy shall be defined as the procedure by which the City Building Department finds the structure is complete and ready for human occupancy and authorizes the utility companies to activate their services to the structure.

The authorization of the special tax shall become effective upon the finalization of the building permit by the City Building Department for facilities occupying a separate Assessor's Parcel which do not require a Certificate of Occupancy, such as parking lots, recreational facilities, etc., but which do require issuance of a building permit. Building Permit Finalization shall be defined as the completion of final inspection and approval by the City Building Department for the intended use.

For facilities occupying a separate Assessor's Parcel which will require neither a Certificate of Occupancy nor a Building Permit, but for which the area upon which they are located will become a factor in the determination of the Special Tax Levy, the Special Tax Levy will become effective when the City Engineer has determined its suitability for its intended use.

Developed Property

Developed Property shall be defined as the entire area of an Assessor's Parcel upon which any Certificate of Occupancy or Building Permit Finalization has been issued in accordance with the above definitions whether or not the program for that Assessor's Parcel is fully complete. The property owner may, however, file a parcel map for the purpose of financing if this condition unnecessarily accelerates the Special Tax on such parcel.

Planning Units

Those specific planning units designated 1 through 7, as shown on the map of the Specific Plan No. 200 approved for the development designated Towngate, which has been approved by the City. A copy of Specific Plan No. 200 is on file in the office of the City Clerk.