

RESOLUTION NUMBER 5609

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC HERITAGE) OF THE CITY OF PERRIS, CALLING A SPECIAL ELECTION TO SUBMIT TO THE QUALIFIED ELECTORS WITHIN PROPOSED ANNEXATION NO. 1 TO SAID DISTRICT THE QUESTION OF ANNEXING SUCH TERRITORY AND LEVYING OF A SPECIAL TAX AND ISSUANCE OF BONDED INDEBTEDNESS WITHIN THE DISTRICT

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”), acting in its capacity as the legislative body (the “Legislative Body”) of the Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris (the “District”), on September 10, 2019, has heretofore adopted its Resolution No. 5581 (the “Resolution of Intention”) stating its intention to annex certain territory (the “Property”) as described therein to the District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the “Act”) being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California, and specifically Article 3.5 thereof, and calling a public hearing on the question of the proposed annexation of the Property to the District, including the levying of a special tax on the Property and all other matters as set forth in the Resolution of Intention; and

WHEREAS, a copy of the Resolution of Intention, incorporating a description and map of the proposed boundaries of the territory proposed for annexation to the District, stating the purpose of the Annexation No. 1 to the District to (A) finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of public facilities and the payment of development, impact and other fees required therefor, identified in Exhibit “A” hereto and incorporated herein by this reference, including all furnishings, equipment and supplies related thereto (collectively, the “Facilities”); and (2) the incidental expenses to be incurred in financing the Facilities and annexing property to and administering the District (the “Incidental Expenses”), and incorporating a plan setting forth sharing of such facilities provided in common with the existing District, and specifying the special taxes to be levied within the Property and any alteration in the Rate and Method of Apportionment (as defined therein and incorporated herein Exhibit “B”) is on file with the City Clerk of the City; and

WHEREAS, on September 10, 2019, the Council of the City has heretofore adopted its Resolution No. 5582 (the “Resolution of Intention to Incur Bonded Indebtedness”) stating its intention to incur bonded indebtedness in an amount of not to exceed \$7,000,000 within the District, including the proposed area of Annexation No. 1 to the District; and

WHEREAS, a copy of the Resolution of Intention to Incur Bonded Indebtedness is on file with the City Clerk; and

WHEREAS, notice of the public hearing was duly given as required by the Act; and

WHEREAS, the Resolution of Intention and Resolution to Incur Bonded Indebtedness set October 29, 2019 as the date of the public hearing to consider the question of the proposed annexation of the Property to the District, including the levying of a special tax on the Property and all other matters set forth in the Resolution of Intention, and the proposed bonded indebtedness pursuant to the Resolution of Intention and the Resolution of Intention to Incur Bonded Indebtedness, and this Council held said public hearing as required by law; and

WHEREAS, at said hearing all persons within the area of the District, Annexation No. 1 to the District and not exempt from the special tax desiring to be heard on all matters pertaining to the annexation of the Property to the District, the levy of the special tax on the Property, and the issue of bonded indebtedness and all other matters as set forth in the Resolution of Intention and Resolution to Incur Bonded Indebtedness were heard and a full and fair hearing was held; and

WHEREAS, at the public hearing evidence was presented to the Legislative Body on the matters before it, and the Legislative Body at the conclusion of the hearing is fully advised as to all matters relating to the proposed annexation of the Property to the District, including the levy of the special tax on the Property; and

WHEREAS, it has now been determined that written protests have not been received from registered voters and/or property owners representing more than one-half (1/2) of the area of land proposed to be annexed to the District or within the original District; and

WHEREAS, there are less than twelve (12) registered voters residing within the territory proposed to be annexed to the District, and have been for at least the preceding ninety (90) days; and

WHEREAS, on the basis of the foregoing, the Legislative Body has determined at this time to proceed with the annexation of the Property to the District, and to call an election therein to authorize such annexation, including the levy of the special tax therein (as such tax is more particularly described in the Resolution of Intention), to incur bonded indebtedness within said Annexation No. 1 to the District and to establish an appropriations limit for the District with respect to Annexation No. 1;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City Of Perris, acting in its capacity as the Legislative Body Of Community Facilities District No. 2007-2 (Pacific Heritage) of The City Of Perris, California, as follows:

Section 1. That the above recitals are all true and correct.

Section 2. Written protests against the annexation of the Property to the District, or against the furnishing of specified services or the levying of a specified special tax within the District or the incurrence of bonded indebtedness, have not been filed by fifty percent (50%) or more of the registered voters or six (6) registered voters, whichever is greater, residing within the boundaries of the existing District, nor by fifty percent (50%) or more of the

registered voters, or six (6) registered voters, whichever is greater, residing within the boundaries of the proposed annexation, nor by owners representing one-half (1/2) or more of the area of land proposed to be annexed to the District or any owners in the District. All protests and objections, if any, are hereby overruled.

Section 3. The Legislative Body does declare the annexation of the Property to the existing District, to be known and designated as “Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris, Annexation No. 1.” The Legislative Body hereby finds and determines that all prior proceedings taken with respect to the annexation of the Property to the 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 of the Act.

Section 4. The boundaries of the Property to be annexed and upon which the special taxes will be levied in order to pay the bonded indebtedness are generally described as all that territory proposed to be annexed to the existing District as said property is shown on a map as previously approved by the Legislative Body, said map designated “Proposed Boundaries of Community Facilities District No. 2007-2 (Pacific Heritage), Annexation Map No. 1” a copy of which is on file in the office of the City Clerk and shall remain open for public inspection. The map of the proposed boundaries of the District has been recorded in the Office of the County Recorder of Riverside County, California in recorded on December 12, 2007 as Instrument No. 2007-0740619 on page 52 in Book 72 of Maps of Community Facilities Districts and Assessment Districts of the official records of the County of Riverside, as said map may be modified from time to time.

Section 5. The City Council hereby declares and deems that the public convenience and necessity require and it is necessary to incur bonded indebtedness in a maximum aggregate principal amount not to exceed \$7,000,000 within the District, including Annexation Area No. 1 for the purposes set forth in Section 6 below. The entire District shall pay for the bonded indebtedness as previously authorized by the existing District in Resolution Nos. 4601, 4602 and 4603, adopted on January 8, 2008.

Section 6. The purpose of the proposed bonded indebtedness is generally described as follows: to finance (1) the Facilities, which Facilities have a useful life of five years or longer and the payment of development fees and other fees of public agencies; and (2) the Incidental Expenses.

Section 7. Except for property within the area of Annexation No. 1 to the District that is exempt, wholly or partially, from the levy of the special tax specified in the Rate and Method of Apportionment of Special Tax attached to the Resolution of Intention, the whole of the property within Annexation No. 1 of the District shall pay for the applicable bonded indebtedness with respect to Annexation No. 1. to the District pursuant to the levy of the special tax authorized by the Resolution of Intention to Annex.

Section 8. The maximum term of the bonds or any series thereof to be issued shall in no event exceed forty (40) years.

Section 9. The bonds or any series thereof shall bear interest at a rate not to exceed the greater of twelve percent (12%) per annum or the maximum interest rate permitted by law, payable semiannually, with the actual rates and times of payment to be determined at the time of sale thereof.

Section 10. Except where funds are otherwise available, a special tax is hereby authorized, subject to the approval of the landowners as the eligible electors of Annexation No. 1 to the District, to levy annually in accordance with procedures contained in the Act, a special tax within the District, secured by recordation of a continuing lien against all nonexempt real property in the District, sufficient to pay for bonded indebtedness relating to the Facilities, the and the Incidental Expenses. The rate and method of apportionment and manner of collection of the special tax within the District is described in detail in Exhibit "B" attached hereto and incorporated herein by this reference, as said rate and method may be modified or reduced. Exhibit "B" allows each landowner within Annexation No. 1 to estimate the maximum amount that may be levied against each parcel.

Section 11. Pursuant to and in compliance with the provisions of Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, the Council hereby establishes the following accountability measures pertaining to any bonded indebtedness incurred by or on behalf of the District:

- A. Such bonded indebtedness shall be incurred for the specific purposes set forth in Section 6 above.
- B. The proceeds of any such bonded indebtedness shall be applied only to the specific purposes identified in Section 6 above.
- C. The document or documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account or accounts into which the proceeds of such bonded indebtedness shall be deposited.
- D. The City Manager or the City Finance Director, or his or her designee, acting for and on behalf of the City, shall annually file a report with the City Council as required by Government Code Section 53411.

Section 12. Pursuant to Government Code Section 53353.5, the Council hereby submits to the qualified electors of Annexation No. 1 to the District a combined proposition ("Proposition A") to: (1) annex the Property to the District; (2) levy special taxes on property within Annexation No. 1 to the District in accordance with the rate and method of apportionment with respect to the District specified in the Resolution of Intention of the Council; (3) incur bonded indebtedness in the maximum principal aggregate amount of \$7,000,000 within the area of the District, as modified, including proposed Annexation No. 1 to the District; and (4) establish an appropriations limit as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for the District. Said appropriations limit shall equal the amount of all proceeds of the special tax for the area within Annexation No. 1 to the District collected annually and as defined by said Article XIII B, as adjusted for changes in the cost of living and

changes in population. The Proposition for Annexation No. 1 to the District is attached hereto as Exhibit "C."

Section 13. A special election is hereby called for Annexation No. 1 to the District on the Proposition set forth in Section 12 hereinabove.

Section 14. The time for notice having been waived by all of the qualified electors, the date of the special election for the District on the proposition A shall be on the 29th day of October 29, 2019. The voter ballot shall be returned to the City Clerk at 101 North "D" Street, Perris, California 92570, no later than 6:30 o'clock p.m. on October 29, 2019.

Section 15. The Council finds and determines that there were no registered voters residing within the territory of proposed annexation to the District at the time of the protest hearing and ninety (90) days prior thereto. The requirements of Section 53326 of the Government Code having been waived by the landowner, the ballots for the special election shall be mailed or personally delivered to each landowner within Annexation No. 1.

Section 16. Notice of said election and written argument for or against the measure have been waived by each landowner within the area of Annexation No. 1 to the District.

Section 17. The Area of Annexation No. 1 to the District shall constitute a single election precinct for the purpose of holding said election.

Section 18. The Council hereby directs that the election be conducted by the City Clerk of the City of Perris, as the elections official.

Section 19. If two-thirds (2/3) of the votes cast upon the question of annexation, levying such special tax, incurrence of bonded indebtedness and establishing such appropriations limit are cast in favor of levying such special tax within the District as determined by the Legislative Body after the canvass of the returns of such election, the Legislative Body may levy such special tax within the proposed annexation to the District under the Act in the amount and for the purposes as specified in this Resolution. Such special tax may be levied only at the rate and may be apportioned only in the manner specified in this Resolution, subject to the Act, except that the special tax may be levied at a rate lower than that specified herein and the maximum annual tax rate may be lowered.

Section 20. An appropriation limit for Annexation No. 1 to the District is hereby established as an amount equal to all the proceeds of the special tax collected annually and as defined by Article XIII B of the California Constitution, as adjusted for changes in the cost of living and changes in population.

Section 21. The City Clerk is directed to certify and attest to this Resolution, and to take any and all necessary acts to call, hold, canvass and certify an election or elections on the levy of the special tax, and the establishment of the appropriation limit.

Section 22. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED and **APPROVED** this 29th day of October, 2019.

Michael M. Vargas, Mayor

ATTEST:

Nancy Salazar, City Clerk

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

I, Nancy Salazar, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Resolution Number 5609 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting held the 29th day of October, 2019, by the following called vote:

AYES: CORONA, RABB, ROGERS, VARGAS
NOES: NONE
ABSENT: NONE
ABSTAIN: MAGAÑA

City Clerk, Nancy Salazar

EXHIBIT A

DESCRIPTION OF FACILITIES

The General Description of Facilities are as listed:

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

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

OTHER

The District may also finance any of the following:

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

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

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT

**RATE AND METHOD OF APPORTIONMENT
COMMUNITY FACILITIES DISTRICT NO. 2007-2
(PACIFIC HERITAGE)**

A Special Tax shall be levied on all Taxable Property within the boundaries of Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris (“CFD No. 2007-2”) and collected according to the tax liability determined by the Council, through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

The terms hereinafter set forth have the following meanings.

“**Acre**” or “**Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, other recorded County parcel map, or other similar instrument. An acre means 43,560 square feet of land.

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

“**Administrative Fees**” or “**Administrative Expenses**” means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2007-2 including, but not limited to the costs associated with:

- (i) Computing the Special Taxes;
- (ii) Preparing the Annual Special Tax collection schedules (whether by the City or designee thereof or both);
- (iii) Collecting the Special Taxes (whether by the City, the County or otherwise);
- (iv) Remitting the Special Taxes to the Trustee;
- (v) 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. 2007-2, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations;
- (vi) Complying with disclosure or reporting requirements of the City or CFD No. 2007-2, associated with applicable federal and State laws (whether by the City, CFD No. 2007-2, or any designee thereof);
- (vii) Preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2007-2, or any designee thereof related to an appeal of the Special Tax; and

(viii) 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. 2007-2 for any other administrative purposes of CFD No. 2007-2, including attorney's fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor" means the Assessor of the County of Riverside.

"Assessor's Parcel" means a Lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

"Backup Special Tax" means a one-time special tax that may be required to be paid prior to the approval of a proposed land use, entitlement change or permit issuance, subject to the conditions and as set forth in Section 5.

"Bonds" means any bonds or other indebtedness (as defined in the Act) of CFD No. 2007-2, whether in one or more series, including refunding bonds, secured by the levy of Special Taxes.

"Builder" means a home builder other than the Developer acting as the builder of Residential Units within CFD No. 2007-2.

"Building Permit" means a building permit for the construction of one or more Residential Units within CFD No. 2007-2 issued by the City.

"Building Square Footage" means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of building square footage shall be made by reference to the Building Permit(s) issued for such Assessor's Parcel.

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

"CFD No. 2007-2" means the Community Facilities District No. 2007-2 (Pacific Heritage) of the City.

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll, calculating the Backup Special Tax, and as necessary, determining prepayment amounts in accordance with Section 7 and Mandatory Special Tax Reductions in accordance with Section 8.

“CFD Formation” means the date at which the City Council approved the formation of CFD No. 2007-2 in accordance with the provisions of the Act.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 2007-2 as defined under the Act.

“County” means the County of Riverside, California.

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

“Delinquency Management Fund” means the fund (regardless of its name), if any, established pursuant to the Indenture, to hold certain funds, not including bond proceeds, for the payment of principal and interest on the Bonds to the extent there are insufficient funds to pay principal and interest on the Bonds prior to any draw on the Reserve Fund. The Delinquency Management Fund Requirement (as defined in the Indenture) shall be an amount as defined in the Indenture.

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

“Developer” means the developer and their successors, if any, acting as the developer of the property in CFD No. 2007-2.

“Development Plan” means a plan of Residential Units proposed to be built within CFD No. 2007-2 as provided by the Developer or Builder(s) and approved by the City. The development plan shall include the number, square footage, and base sales price of the Residential Units. The Developer or Builder shall file with the City an amended development plan prior to the issuance of any Building Permits if there is a change in the number and/or square footage of the Residential Units.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 10.

“Expected Land Uses” means the total number of Residential Units and Building Square Footage expected to be constructed within CFD No. 2007-2, as determined

from time-to-time by the CFD Administrator by applying the steps described in Section 5 below. The expected land uses at CFD Formation are summarized in Exhibit B hereto; the CFD Administrator shall update Exhibit B if (i) a Mandatory Maximum Special Tax Reduction is applied in accordance with Section 8 below; or (ii) a change occurs to the Development Plan that would change the number of Residential Units within each Land Use Classification as shown in Exhibit B.

“Expected Maximum Special Tax Revenues” means the amount of annual revenue that would be available if the Maximum Special Tax was levied on the Expected Land Uses. The expected maximum special tax revenues as of CFD Formation are shown in Exhibit B to this Rate and Method of Apportionment.

“Facilities” means facilities, fees or improvements authorized to be funded by CFD No. 2007-2.

“Final Bond Sale” means the last series of Bonds that will be issued on behalf of CFD No. 2007-2 (excluding any Bond refundings), as determined in the sole discretion of the City.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which Building Permits may be issued without further subdivision.

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

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

“Land Use Class” means any of the land use classes listed in Table 1 or Table 2 under Section 3 below.

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

“Mandatory Maximum Special Tax Reduction” means a mandatory reduction of the Maximum Special Tax prior to the issuance of Bonds as set forth in Section 8 below.

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

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

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of CFD No. 2007-2 owned in fee by a property owner association, including any master or sub-association.

“Property Tax Burden” means the total estimated amount of taxes an owner of a Residential Unit would expect to pay including ad valorem property taxes, Maximum Special Tax, and other special assessments, fees and charges placed on the County property tax bill (but excluding homeowner association dues, property owner association dues, or other non-governmental charges), expressed as a percentage of the expected base sales price of the Residential Unit.

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

“Provisional Undeveloped Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 10, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 10.

“Public Property” means any property within the boundaries of CFD No. 2007-2, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

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

“Special Tax” means any special tax levied within CFD No. 2007-2 pursuant to the Act and this Rate and Method of Apportionment.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the term of the Special Tax specified in Section 9.

“Special Tax Requirement” means that amount required in any Fiscal Year to:

- (i) Pay regularly scheduled Debt Service on all Outstanding Bonds;
- (ii) Pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds;
- (iii) Pay Administrative Fees and Expenses;
- (iv) Pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds;
- (v) Accumulate funds to pay directly for acquisition or construction of Facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property;
- (vi) Pay for reasonably anticipated delinquent Special Taxes; and
- (vii) Pay any amounts required to establish or replenish the Delinquency Management Fund; provided said amounts do not exceed any amount permitted under the Act.

“State” means the State of California.

“Taxable Property” means all of the Assessor's Parcels within the boundaries of CFD No. 2007-2, which are not exempt from the levy of the Special Tax pursuant to law or Section 10 below.

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

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

“Zone” means as the context requires, either Zone 1 or Zone 2.

“Zone 1” means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

“Zone 2” means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2008-2009, each Assessor’s Parcel within CFD No. 2007-2 shall be assigned to Zone 1 or Zone 2 in accordance with Exhibit A to this Rate and Method of Apportionment, and each Assessor’s Parcel shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3, 4 and 5 below. Furthermore, each Assessor’s

Parcels of Developed Property shall be further classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property for Fiscal Year 2008-2009 shall be determined pursuant to Table 1 for Zone 1 and Table 2 for Zone 2 below.

**Table 1
Maximum Special Tax Rates
Zone 1
Fiscal Year 2008-2009**

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,200 Sq. Ft.	\$2,105 per Residential Unit
2	2,200 – 2,499 Sq. Ft.	\$2,349 per Residential Unit
3	2,500 – 2,799 Sq. Ft.	\$2,587 per Residential Unit
4	2,800 – 3,099 Sq. Ft.	\$2,742 per Residential Unit
5	3,100 – 3,399 Sq. Ft.	\$2,925 per Residential Unit
6	3,400 – 3,699 Sq. Ft.	\$3,080 per Residential Unit
7	3,700 Sq. Ft. and Greater	\$3,235 per Residential Unit

**Table 2
Maximum Special Tax Rates
Zone 2
Fiscal Year 2008-2009**

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,200 Sq. Ft.	\$2,200 per Residential Unit
2	2,200 – 2,499 Sq. Ft.	\$2,452 per Residential Unit
3	2,500 – 2,799 Sq. Ft.	\$2,697 per Residential Unit
4	2,800 – 3,099 Sq. Ft.	\$2,858 per Residential Unit
5	3,100 – 3,399 Sq. Ft.	\$3,047 per Residential Unit
6	3,400 – 3,699 Sq. Ft.	\$3,208 per Residential Unit
7	3,700 Sq. Ft. and Greater	\$3,368 per Residential Unit

Each July 1, commencing July 1, 2009, the Maximum Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Provisional Undeveloped Property and Undeveloped Property

The Maximum Special Tax for Provisional Undeveloped and Undeveloped Property for Fiscal Year 2008-2009 shall be determined by reference to Table 3 below.

**Table 3
Maximum Special Tax Rates
Fiscal Year 2008-2009**

Zone	Maximum Special Tax
Zone 1	\$17,276 per Acre
Zone 2	\$17,843 per Acre

On July 1st of each Fiscal Year, commencing July 1, 2009, the Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall increase by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2008-2009, the CFD Administrator shall calculate the Annual Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the applicable Maximum Special Tax as necessary to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Annual Special Tax shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2007-2 by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

5. BACKUP SPECIAL TAX

The Maximum Special Taxes set forth in Section 3 were calculated based on the Expected Land Uses at CFD Formation. For each Zone, the CFD Administrator shall review all applicable Final Subdivision Maps and the Development Plan of CFD No. 2007-2 to confirm that the Final Subdivision Map(s) and Development Plan reflect the number and size of Residential Units that were anticipated at the time of CFD Formation. The Developer and/or Builder shall file an amended Development Plan for each Zone with the City after CFD Formation any time there is a change in the number and/or size of Residential Units.

Prior to Final Bond Sale

If, prior to Final Bond Sale, a change to the Expected Land Uses ("Land Use/Entitlement Change") is submitted by the Developer or Builder that will result in a reduction of the Expected Maximum Special Tax Revenues or a Mandatory Maximum Special Tax Reduction is applied pursuant to Section 8 of this Rate and Method of Apportionment, or any combination thereof, no action shall be required pursuant to this Section 5, provided that the reduction in Expected Maximum Special Tax Revenues does not reduce the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property to less than 1.1 times the annual Debt Service on all Outstanding Bonds. The CFD Administrator shall update Exhibit B to show the reduced Expected Maximum Special Tax Revenues, and the reduced Expected Maximum Special Tax Revenues shall be the amount used by the City to make future decisions with respect to Bonds.

Subsequent to Final Bond Sale

If a proposed Land Use/Entitlement Change or Development Plan submitted by the Developer or Builder would reduce the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property to less than 1.1 times the annual Debt Service on all Outstanding Bonds, the following steps shall be applied:

Step 1: By reference to Exhibit B (which shall be updated by the CFD Administrator in accordance with this Section 5 each time a Land Use/Entitlement change is processed, the Development Plan is changed or a Mandatory Maximum Special Tax Reduction is applied) and by computing the Maximum Special Tax rates in accordance with Section 3 for the current Fiscal Year, the CFD

Administrator shall calculate the Expected Maximum Special Tax Revenues for CFD No. 2007-2.

Step 2: The CFD Administrator shall calculate the Expected Maximum Special Tax Revenues that could be collected from property in the CFD if the Land Use/Entitlement Change is approved or the Development Plan is changed (“Proposed Maximum Special Tax Revenues”);

Step 3: If the amount determined in the second step is higher than that calculated in the first step, the Land Use/Entitlement Change may be approved or the Development Plan may change without further action. If the Expected Maximum Special Tax Revenues calculated in the Step 2 are less than those calculated in Step 1, the Developer or Builder shall pay a one-time Backup Special Tax in an amount calculated pursuant to Section 7.B. The amount of the Backup Special Tax payment shall be equal to the amount necessary to reduce the Debt Service on Outstanding Bonds such that the Proposed Maximum Special Tax Revenues less Administrative Expenses equals 1.1 times the Debt Service after such payment. The Backup Special Tax required by this Step shall be paid prior to the approval of the proposed Land Use/Entitlement Change or the issuance of additional Building Permits.

If multiple Land Use/Entitlement Changes are proposed at one time, the CFD Administrator may consider the combined effect of all Land Use/Entitlement Changes to determine if a reduction in Expected Maximum Special Tax Revenues necessitates implementation of Step 3. If the CFD Administrator determines that there is a reduction in Expected Maximum Special Tax Revenues, and all of the Land Use/Entitlement Changes are being proposed by the same property owner, the CFD Administrator shall determine the amount to be prepaid (pursuant to Step 3) by analyzing the combined effects of all of the proposed Land Use/Entitlement Changes. Notwithstanding the foregoing, if the CFD Administrator analyzes the combined effects of all the proposed Land Use/Entitlement changes, and the City subsequently does not approve any one or more of the proposed Land Use/Entitlement Changes, then the CFD Administrator shall again apply the three steps set forth above to determine the combined effect of the multiple Land Use/Entitlement Changes that were approved simultaneously by the City.

6. COLLECTION OF SPECIAL TAXES

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

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the conditions set forth in this Section 7.

The following definitions apply to this Section 7:

“CFD Public Facilities Costs” means \$6,040,000 in 2007 dollars, which shall increase by the Construction Inflation Index on July 1, 2008, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the Facilities, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds) to be supported by Special Taxes.

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

“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 CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

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

“Outstanding Bonds” means all Previously Issued Bonds that 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 proceeds of prior prepayments of Special Tax Obligations.

“Previously Issued Bonds” means all CFD No. 2007-2 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount (defined below) for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than 60 days prior to any redemption date for the CFD No. 2007-2 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Prepayment Amount
plus	Defeasance Amount
plus	Prepayment Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

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

Paragraph No.:

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

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

3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for CFD No. 2007-2 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through build-out of CFD No. 2007-2 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid rounded up to the nearest \$5,000 increment (the "Bond Redemption Amount"). If a prepayment request is submitted for multiple Assessor's Parcels which are owned by the same entity or individual, then only the sum of the Bond Redemption Amount (calculated without rounding) for all such Assessor's Parcels shall be rounded up to the nearest \$5,000 increment and not the Bond Redemption Amount for each such Assessor's Parcel.
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the earliest redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the "Defeasance Amount").

11. Verify the administrative fees and expenses of CFD No. 2007-2, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees and Expenses").
12. The reserve fund credit ("Reserve Fund Credit") shall equal the lesser of:
(a) the expected reduction in the reserve requirement (as defined in the Indenture), 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 requirement in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2007-2.

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

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative

Expenses that may be levied on Taxable Property in each Fiscal Year, after the proposed prepayment is at least 1.1 times the corresponding Debt Service on all Outstanding Bonds.

B. Partial Prepayment

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

$$PP = P_E \times F.$$

These terms have the following meaning:

- PP = the partial prepayment amount
- P_E = the Prepayment Amount calculated according to Section 7.A.
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation. (Such amount shall be rounded up as directed in Section 7.A.4 above)

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the percentage by which the Special Tax Obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax Obligation for the Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 7.A., and (ii) indicate in the records of CFD No. 2007-2 that there has been a partial prepayment of the Special Tax Obligation and that the portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property in each Fiscal Year, after the proposed partial prepayment is at least 1.1 times the corresponding Debt Service on all Outstanding Bonds.

8. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of Bonds, the Property Tax Burden on Developed Property shall be calculated by the CFD Administrator pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of CFD Formation (the "Goals and Policies"). The Maximum Special Tax on Developed Property set forth in Section 3.A of this Rate and Method of Apportionment shall be permanently reduced if it is reasonably determined by the CFD Administrator that the Property Tax Burden exceeds the maximum level allowed in the Goals and Policies. In such a case, the CFD Administrator shall take the following steps:

Step 1: The CFD Administrator shall calculate the Property Tax Burden for each Residential Unit within each Land Use Class of Developed Property set forth in Tables 1 and 2.

Step 2: For any Land Use Class of Developed Property set forth in Tables 1 or 2 for which the Property Tax Burden exceeds the maximum level allowed in the Goals and Policies for any Residential Unit classified within such Land Use Class, the Maximum Special Tax shall be permanently reduced so that the highest Property Tax Burden within such Land Use Class equals the maximum level allowed in the Goals and Policies for any Residential Unit.

Step 3: The CFD Administrator shall determine the sum of the reduced Maximum Special Tax as calculated in Step 2 multiplied by the expected number of Residential Units within each Land Use Class expected to be developed within CFD No. 2007-2 at build-out ("Estimated Annual Special Tax Revenues"). The Maximum Special Tax for Undeveloped Property and Provisional Undeveloped Property shall be reduced to an amount equal to the Estimated Annual Special Tax Revenues divided by the minimum taxable Acres set forth in Section 10.

Step 4: If the Mandatory Special Tax Reduction is implemented, then Table 1 and/or Table 2 shall be modified and the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Taxes on Developed Property, Undeveloped Property and Provisional Undeveloped Property.

9. TERM OF SPECIAL TAX

The Special Tax shall be levied until the last series of Bonds has been fully repaid, provided that the Special Tax may be levied after the last series of Bonds has been repaid if necessary to collect delinquencies or pay for additional Facilities, but shall not in any event be levied for a period to exceed forty (40) Fiscal Years commencing with Fiscal Year 2008-2009.

10. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization (iv) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, (v) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property to less than 13.22 Acres in Zone 1 or less than 9.20 Acres in Zone 2 . Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property to less than 13.22 Acres in Zone 1 or less than 9.20 Acres in Zone 2 shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Taxes accordingly. Tax exempt status for this purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 10 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

11. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager or designee of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Special Tax and any landowner appeals herein specified. The decision of the City Manager or designee shall be final and binding as to all persons.

CERTIFICATE OF REDUCTION OF SPECIAL TAXES

COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC HERITAGE) OF THE CITY OF PERRIS

1. Pursuant to Section 8 of the Rate and Method of Apportionment (the "Rate and Method") for Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris ("CFD No. 2007-2"), the City of Perris ("City") and CFD No. 2007-2 hereby reduce the Maximum Special Tax for property within CFD No. 2007-2, as reflected herein.

The information in Tables 1, 2 and 3 of the Rate and Method relating to the Maximum Special Tax for property within CFD No. 2007-2 shall be modified commencing with Fiscal Year 2019-20 as follows:

**Table 1
Maximum Special Tax Rates*
Zone 1
Fiscal Year 2019-2020**

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,200 Sq. Ft.	\$2,405 per Residential Unit
2	2,200 – 2,499 Sq. Ft.	\$2,510 per Residential Unit
3	2,500 – 2,799 Sq. Ft.	\$2,720 per Residential Unit
4	2,800 – 3,099 Sq. Ft.	\$2,933 per Residential Unit
5	3,100 – 3,399 Sq. Ft.	\$2,973 per Residential Unit
6	3,400 – 3,699 Sq. Ft.	\$3,295 per Residential Unit
7	3,700 Sq. Ft. and Greater	\$3,460 per Residential Unit

Table 2
Maximum Special Tax Rates*
Zone 2
Fiscal Year 2019-2020

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,200 Sq. Ft.	\$2,096 per Residential Unit
2	2,200 – 2,499 Sq. Ft.	\$2,315 per Residential Unit
3	2,500 – 2,799 Sq. Ft.	\$2,616 per Residential Unit
4	2,800 – 3,099 Sq. Ft.	\$2,753 per Residential Unit
5	3,100 – 3,399 Sq. Ft.	\$2,880 per Residential Unit
6	3,400 – 3,699 Sq. Ft.	\$2,971 per Residential Unit
7	3,700 Sq. Ft. and Greater	\$3,036 per Residential Unit

Table 3
Maximum Special Tax Rates*
Fiscal Year 2019-2020

Zone	Maximum Special Tax
Zone 1	\$20,523 Per Acre
Zone 2	\$20,523 Per Acre

** On July 1st of each Fiscal Year, commencing with July 1, 2020, the Maximum Special Tax Rates in Tables 1, 2 and 3 above shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.*

2. The Maximum Special Tax may only be modified prior to the first issuance of Bonds related to CFD No. 2007-2.
3. Upon execution of the certificate by the City and CFD No. 2007-2, the City shall cause an amended notice of Special Tax lien for CFD No. 2007-2 to be recorded reflecting the modifications set forth herein.
4. The reductions herein have been calculated by Willdan Financial Services, the administrator of CFD No. 2007-2.
5. The reductions herein are reasonable and in accordance with Section 8 of the Rate and Method.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2007-2, receipt of this certificate and modification of the Rate and Method as set forth in this certificate. Capitalized undefined terms used herein have the meaning ascribed thereto in the Rate and Method.

CITY OF PERRIS

By: _____
City Manager

Date: _____

COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC HERITAGE) OF THE CITY OF PERRIS

By: _____
City Manager

Date: _____

WILDAN FINANCIAL SERVICES

By: _____
Administrator

Date: _____

EXHIBIT C

OFFICIAL BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC HERITAGE) OF THE CITY OF
PERRIS, ANNEXATION NO. 1

ANNEXATION, SPECIAL TAX, AND BOND ELECTION

October 29, 2019

To vote, mark a cross (+) in the voting square after the word “YES” or after the word “NO.” All marks otherwise made are forbidden.

This ballot is provided to _____, as owner or authorized representative of such sole owner of ____ acres of land within Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris, Annexation No. 1 and represents _____ votes.

If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North “D” Street, Perris, California 92570.

PROPOSITION A: Shall the property within the Area of Annexation No. 1 to Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris (the “District”) be annexed to the District; and shall the District incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$7,000,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance or refinance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto and the payment of development and other fees of public agencies (collectively, the “Facilities”), which Facilities have a useful life of five years or longer; and (2) the incidental expenses to be incurred in connection with financing the Facilities, annexing property to and administering the District (the “Incidental Expenses”), as provided in the Resolution of the City Council of the City of Perris calling a special election within the area of Annexation No. 1 to the District; and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses and pay the Obligation as authorized in the Resolution; and shall an appropriations limit be established for Annexation No. 1 to the District pursuant to Article XIII B of the California Constitution, said appropriations limit to be equal to the amount of all proceeds of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?
DATED: 29th day of October 2019

YES

NO

**CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC HERITAGE),
ANNEXATION NO. 1**

**ANNEXATION, SPECIAL TAX AND BOND ELECTION
OCTOBER 29, 2019**

VOTER IDENTIFICATION CERTIFICATION

The undersigned hereby declares under penalty of perjury as follows:

I have been duly authorized to cast ballots on behalf of the landowner as set forth below:

By execution hereof I also waive any requirements as to the form of ballot as contained in the Elections Code of the State of California. I also certify that there were no registered voters in the annexation property to the above-referenced District for the 90 day period preceding and including October 29, 2019.

LANDOWNER:

By: _____

Name: _____

Title: _____

NAME OF VOTER: _____

ADDRESS OF VOTER: _____

DATE OF SIGNING: APRIL 12, 2005

PLACE OF SIGNING: AT ADDRESS ABOVE

FAILURE TO COMPLETE THE ABOVE INFORMATION WILL INVALIDATE YOUR BALLOT.

Please Return with Ballot