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CITY OF SAN JOSE

COMMUNITY FACILITIES DISTRICT No. 10  
(HASSLER-SILVER CREEK)

COMMUNITY FACILITIES DISTRICT REPORT

*Prepared for:*

CITY OF SAN JOSE  
Santa Clara County  
California

*Prepared by:*

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San Ramon, CA 94583

April 1, 2003

CFD 10

**CITY OF SAN JOSE  
Community Facilities District No. 10  
(Hassler - Silver Creek)**

**COMMUNITY FACILITIES DISTRICT REPORT**

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**CITY OF SAN JOSE**  
**Community Facilities District No. 10**  
**(Hassler - Silver Creek)**

**INTRODUCTION**

**WHEREAS**, on February 18, 2003 this Council adopted a resolution entitled "A Resolution of the City Council of the City of San Jose Declaring Its Intention to Establish a Community Facilities District and to Authorize the Levy of Special Taxes Pursuant to the City of San Jose Community Facilities District Financing Procedure" (the "Resolution of Intention"), stating its intention to form Community Facilities District No. 10 (Hassler - Silver Creek) (the "CFD"), of the City pursuant to the San Jose City Charter and Chapter 14.27 of the San Jose Municipal Code, which incorporates and modifies the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"). In the Resolution of Intention, the Council expressly ordered the preparation of a written Community Facilities District Report (the "Report"), for the proposed CFD.

The Resolution of Intention ordering the Report did direct that the Report generally contain the following:

A brief description of the Facilities; and

2. An estimate of the fair and reasonable cost of providing the Facilities including the incidental expenses in connection therewith, including the costs of the proposed bond financing, and City administration costs and all other related costs.

For particulars, reference is made to the Resolution of Intention for the CFD, as previously approved and adopted by the Council.

**NOW, THEREFORE, I**, the Director of Public Works, do hereby submit the following data:


**A. DESCRIPTION OF FACILITIES.** A brief description of the proposed Facilities are as shown in Exhibit "A" attached hereto and by this reference made a part hereof.

**B. PROPOSED BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT.** The proposed boundaries of the CFD are those properties and parcels on which special taxes may be levied to pay for the costs and expenses of the Facilities, of bonds issued by the CFD to finance the costs of the Facilities, and of the administration of the CFD and such bonds. The proposed boundaries of the CFD are set forth in Exhibit "B" attached hereto and by this reference made a part hereof.

**C. COST ESTIMATE.** The cost estimate for the Facilities and the incidental expenses of the CFD is set forth in Exhibit "C" attached hereto and by this reference made a part hereof.

D. **RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.** The rate and method of apportionment of special taxes for the CFD is set forth in Exhibit "D" attached hereto and by this reference made a part hereof.

Dated as of 4/1/03, 2003

By  \_\_\_\_\_  
Director of Public Works  
City of San Jose

## **EXHIBIT A**

### **CITY OF SAN JOSE Community Facilities District No. 10 (Hassler - Silver Creek)**

#### **PUBLIC FACILITIES TO BE PROVIDED BY COMMUNITY FACILITIES DISTRICT NO. 10 (HASSLER - SILVER CREEK)**

#### **DESCRIPTION OF THE PROPOSED FACILITIES**

The Facilities shown below are proposed to be financed by Community Facilities District No. 10 (Hassler – Silver Creek) (the "CFD") of the City of San Jose (the "City"). The Facilities shall include the costs attributable to engineering, design, planning, coordination and all other expenses incidental thereto. The Facilities shall be constructed, whether or not acquired in their completed states, pursuant to plans and specifications approved by the City and the officials thereof or their agents.

- 1 Hassler Parkway extending from Silver Creek Valley Road at the eastern boundary of the Ranch on Silver Creek project site to Dove Road at the western boundary, a total length of approximately 9,000 feet. The parkway passes over Silver Creek via a vehicular bridge elevated above the creek corridor. Public utilities within the Hassler Parkway right of way include storm drainage, and sanitary sewer. The foregoing improvements include, without limitation, the installation of related curbs, gutters, sidewalks and street lights.
2. Public streets located within in the CFD. Public utilities within the public street right of way include storm drainage, and sanitary sewer. The foregoing improvements include, without limitation, the installation of related curbs, gutters, sidewalks and street lights.

The Public Improvements shall include the costs of permitting, bonding, insurance, legal and administrative costs (but any such costs for project management, construction management or supervision or administrative personnel of the owners of land in the District or any party related to the owners of land in the District shall not exceed five percent (5%) of the third-party hard construction costs of the related facility), site investigation, engineering, architectural and other design and consulting costs, contractor, inspection, safety, signage, security and other costs directly related to the construction of the facilities identified above.

#### **OTHER**

The District may also finance any of the following:

1. Bond related expenses, including underwriters discount, reserve fund, capitalized interest, bond and underwriters counsel 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, as well as reimbursement of any costs advanced by the City or any related entity for facilities, fees or other purposes or costs of the District.**

**EXHIBIT B**

**CITY OF SAN JOSE  
Community Facilities District No. 10  
(Hassler – Silver Creek)**

**PROPOSED BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT**

The proposed boundaries of the CFD are set forth on the map entitled “Proposed Boundaries of Community Facilities District No. 10 (Hassler-Silver Creek) as shown in this Report.

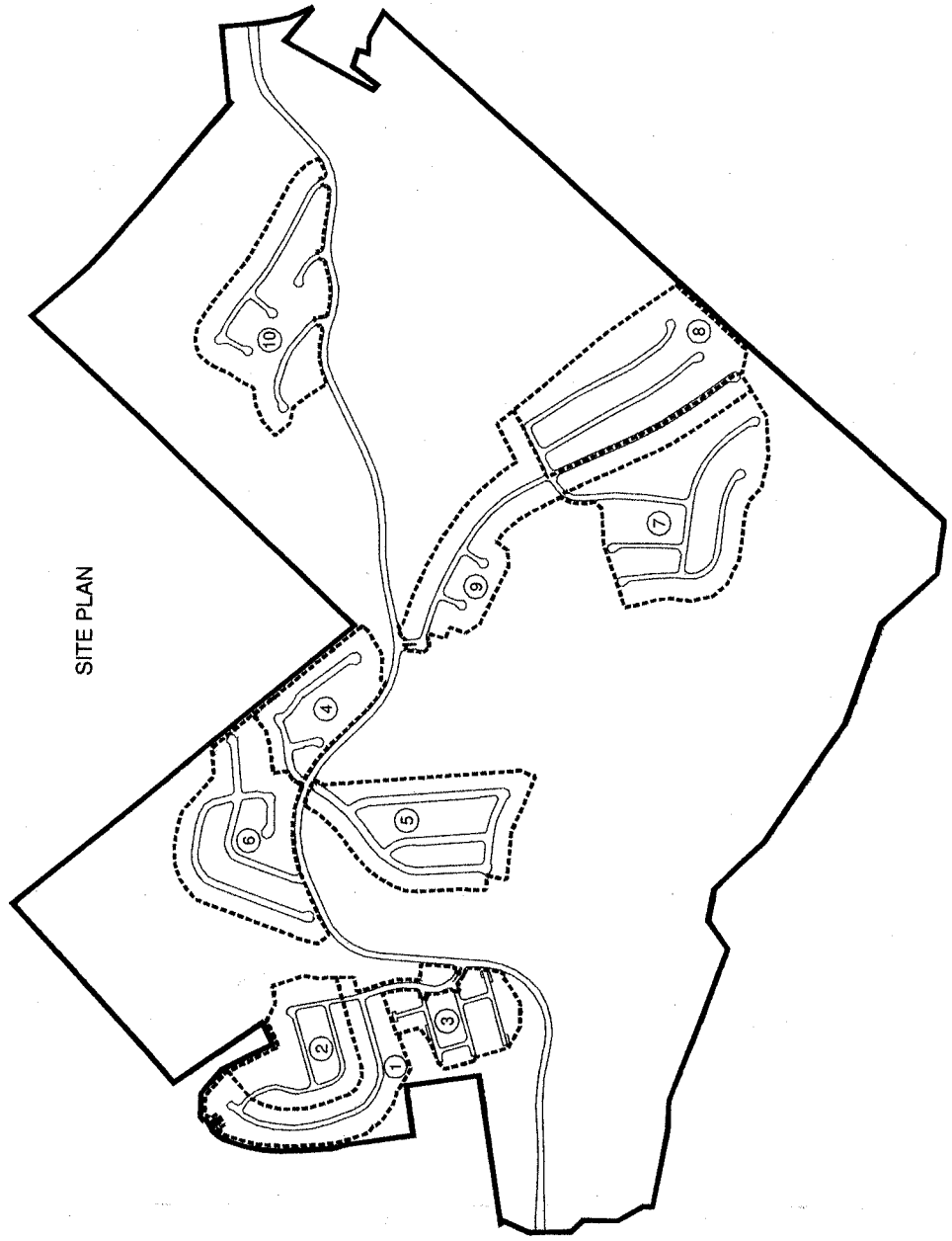
**CERTIFICATION**

(1) CITY CLERK  
 FILED IN THIS OFFICE OF THE CITY CLERK OF THE CITY OF SAN JOSE THIS 13<sup>th</sup>  
 DAY OF February, 2003.  
*Patricia L. O'Heary*  
 PATRICIA L. O'HEARY  
 CITY CLERK

(2) CITY COUNCIL  
 I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE AMENDED PROPOSED  
 BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 10 (HASSLER-SILVER CREEK),  
 CITY OF SAN JOSE, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, WAS APPROVED  
 BY THE CITY COUNCIL OF SAN JOSE AT A REGULAR MEETING THEREOF, HELD ON  
 THE 19<sup>th</sup> DAY OF Feb, 2003 BY ITS RESOLUTION NO. 11412.  
*Patricia L. O'Heary*  
 PATRICIA L. O'HEARY  
 CITY CLERK

(3) COUNTY RECORDER  
 FILED THIS 27<sup>th</sup> DAY OF February, 2003 AT THE HOUR OF 1:16 O'CLOCK  
P.M. IN BOOK 38 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES  
 DISTRICTS AT PAGE(S) 21 IN THE OFFICE OF THE COUNTY RECORDER OF  
 THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA.  
 RECORDER'S SERIES NO.: 16849765 FEE PAID: 18.00  
*Jules Ordinario*  
 BRENDA DAVIS, COUNTY RECORDER  
 COUNTY OF SANTA CLARA  
 JULY 02 09:44 AM '03

**SITE PLAN**



REFERENCE NUMBER	TRACT NO.	ASSESSOR PARCEL NO. PORTION OF
①	9164 a	679-09-008
②	9164 b	679-09-008
③	9165	679-08-004
④	9166	679-15-004
⑤	9167	679-15-004
⑥	9168	679-15-004
⑦	9169	679-15-005
⑧	9170 a	679-15-006
⑨	9170 b	679-15-006
⑩	9171	679-15-007

COMMUNITY FACILITIES DISTRICT BOUNDARY  
 TRACT BOUNDARIES  
 REFERENCE NUMBER



NOT TO SCALE

**CITY OF SAN JOSE**  
 CAPITAL OF SILICON VALLEY  
 PUBLIC WORKS DEPARTMENT  
 DEVELOPMENT SERVICES DIVISION

CITY OF SAN JOSE, COUNTY OF SANTA CLARA  
 STATE OF CALIFORNIA  
 PROPOSED BOUNDARIES OF  
 COMMUNITY FACILITIES DISTRICT NO. 10  
 (HASSLER-SILVER CREEK)  
 FISCAL YEAR 2002-2003

SHEET 1 OF 1

**16849765**

**21**

**BK 38 / PG 21**



**EXHIBIT C**

**CITY OF SAN JOSE  
Community Facilities District No. 10  
(Hassler – Silver Creek)**

**COST ESTIMATE**

The following table identifies the estimated cost of the Facilities that will be constructed and acquired within the boundaries of the CFD. In addition, the CFD estimated formation costs and the estimated costs associated with the issuing of bonds will also be funded by the CFD as shown below.

**Construction Improvement Items**

Hassler Parkway	\$7,000,348
Public Streets within the CFD	<u>\$2,999,652</u>
Subtotal	\$10,000,000

**Incidental Costs**

Underwriter's Discount (2.00%)	\$234,300
Reserve Fund	\$1,044,725
Capitalized Interest	\$212,915
Cost of Issuance	<u>\$223,060</u>
Subtotal	\$1,715,000

**Total**      **\$11,715,000**

**Contingency**

\$3,285,000

**Authorized Amount to Bond**      **\$15,000,000**

## EXHIBIT D

### CITY OF SAN JOSE Community Facilities District No. 10 (Hassler - Silver Creek)

#### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

A Special Tax shall be levied on all Taxable Parcels within Community Facilities District No. 10 (Hassler - Silver Creek) (the "CFD"), and collected according to the Rate and Method of Apportionment of Special Taxes described herein.

All Annual Special Tax Requirements shall be collected by the Santa Clara County Auditor's office by means of inclusion on the annual ad-valorem property tax billings or in such other manner (including by means of direct billing of the affected Property Owners) as the City Council or its designee shall determine.

#### DEFINITIONS

**Act:** Means the San Jose City Charter and Chapter 14.27 of the San Jose Municipal Code, which incorporates and modifies the Mello-Roos Community Facilities Act of 1982, as amended.

**Annual Administrative Cost:** Means the following actual or reasonably estimated costs directly related to the administration of the CFD, as determined by the Finance Director of the City or its designee: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designees thereof or both); the costs of collection of the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the City, the CFD, or any designees thereof of complying with arbitrage rebate requirements, including without limitation, rebate liability costs and periodic rebate calculations; the costs to the City, the CFD, or obligated persons of complying with disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs of any State reporting requirements; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the CFD, or any designee thereof related to an appeal of the Special Tax; and the City's annual administration fees and third party expenses. Administrative costs shall also include amounts estimated or advanced by the City or the CFD for any other administrative purposes of the CFD, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**Annual Special Tax Requirement:** Means the amount necessary in any Fiscal Year to (i) pay principal and interest on the Bonds due in the Calendar Year which commences in such

Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on indebtedness of the CFD which have occurred in the prior Fiscal Year (based on delinquencies in the payment of Special Taxes which have already taken place) or are expected to occur in the Fiscal Year in which the Special Tax will be collected, (iv) to pay Annual Administrative Costs of the CFD, and (v) make credits from available monies from sources identified in the Fiscal Agent Agreement, such as, without limitation to, excess interest earnings in the reserve fund.

**Assessor Parcel:** Means the Assessor Parcel referenced by the Assessor parcel number assigned by the Santa Clara County Assessor's office for each Taxable Parcel or for the Taxable Tract as the case may be, within the boundaries of the CFD.

**Bonds:** Means any bonds or other indebtedness of the CFD issued under the Act.

**Calendar Year:** Means January 1 through December 31.

**City:** Means the City of San Jose.

**City Council:** Means the City Council of the City, in its capacity, as legislative body of the CFD.

**CFD:** Means the City of San Jose Community Facilities District No. 10 (Hassler - Silver Creek).

**Exempt Parcels:** Means all parcels: (1) owned or proposed to be owned by the State, Federal or other governmental entity, including, but not limited to, any parcel or portion thereof dedicated to or proposed to be dedicated to a public agency for right-of-way, open space, green belts, easements, etc., or (2) used or proposed to be used for a golf course, or (3) owned or proposed to be owned by a home owners association.

**Facilities:** Means the facilities the District is authorized to fund.

**Fiscal Agent:** Means the fiscal agent or trustee under the Fiscal Agent Agreement.

**Fiscal Agent Agreement:** 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.

**Fiscal Year:** Means the period starting on July 1 and ending the following June 30.

**Maximum Annual Special Tax per Taxable Parcel:** Means the Maximum Annual Special Tax per Taxable Parcel as shown in Table No. 1 below.

**Table No. 1**  
**Maximum Annual Special Tax Per Taxable Parcel**

<b>Taxable Tract</b>	<b>Maximum Annual Special Tax per Taxable Parcel</b>	<b>No. of Taxable Parcels</b>
9164a	\$1,665	78
9164b	\$1,665	61
9165	\$1,665	56
9166	\$1,665	44
9167	\$2,115	74
9168	\$2,115	54
9169	\$3,415	33
9170a	\$2,670	47
9170b	\$2,990	44
9171	\$2,670	47

**Maximum Annual Special Tax per Taxable Tract:** Means the Maximum Annual Special Tax per Taxable Tract as shown in Table No. 2 below. The location of each Taxable Tract is referenced on the map entitled “Proposed Boundaries of Community Facilities District No. 10 (Hassler - Silver Creek)”, which is on file in the office of the City of San Jose City Clerk.

**Table No. 2**  
**Maximum Annual Special**  
**Tax Per Taxable Tract**

<b>Taxable Tract</b>	<b>Maximum Annual Special Tax per Taxable Tract</b>
9164a	\$129,870
9164b	\$101,565
9165	\$93,240
9166	\$73,260
9167	\$156,510
9168	\$114,210
9169	\$112,695
9170a	\$125,490
9170b	\$131,560
9171	<u>\$125,490</u>
	<b>\$1,163,890</b>

**Property Owner:** The Property Owner as shown on the records in the Santa Clara County Assessor’s office for a Taxable Parcel, or if more accurate and updated information is known then that information would supercede the records in the Santa Clara County Assessor’s office.

**Special Tax:** The annual amount of tax each Taxable Parcel pays based upon the Rate and Method of Apportionment of Special Taxes.

**Taxable Parcel:** Means an Assessor Parcel within the boundaries of the CFD that is not classified as an Exempt Parcel.

**Taxable Tract:** Means the following Taxable Tracts; 9164 (consists of 9164a and 9164b), 9165, 9166, 9167, 9168, 9169, 9170 (consists of 9170a and 9170b) and 9171. In the event that one of these Taxable Tracts is renumbered or redrawn the renumbered or redrawn tract will supercede the previous Taxable Tract and become a new Taxable Tract.

**ASSIGNMENT OF SPECIAL TAXES**

The Special Taxes will be assigned to all Taxable Parcels based upon the Calculation of Special Taxes described below.

## **CALCULATION OF SPECIAL TAXES**

- 1) Each year on July 1 determine the Annual Special Tax Requirement for the current Fiscal Year.
- 2) Each year on July 1 prorate the Annual Special Tax Requirement identified in Step No. 1 above to each Taxable Tract within the boundaries of the CFD up to their respective Maximum Annual Special Tax per Taxable Tract.
- 3) Each Year on July 1 determine which Taxable Tracts have subdivided into individual Taxable Parcels.
- 4) For each Taxable Tract that has been subdivided into Taxable Parcels, pro-rate the Annual Special Tax Requirement calculated in Step No. 2 above to each Taxable Parcel located within the respective Taxable Tract equally up to the Maximum Annual Special Tax per Taxable Parcel as specified in Table No. 1.
- 5) If a Taxable Tract has not subdivided into Taxable Parcels then the Annual Special Tax Requirement for the Taxable Tract as calculated in Step No. 2 above will be levied upon the underlying Assessor Parcel(s) representing the Taxable Tract.

The Annual Special Tax Requirement for each Taxable Parcel may not exceed the Maximum Annual Special Tax per Taxable Parcel and under no circumstances will the Special Tax levied against any Assessor's Parcel used for private residential purposes be increased by more than ten percent as a consequence of delinquency or default by the owner of any other parcel within the District.

## **SAMPLE CALCULATION OF SPECIAL TAXES**

Assume that the Annual Special Tax Requirement for Fiscal Year 2003-04 is \$1,050,600.

- 1) Each Taxable Tract's proportionate share of the Fiscal Year 2003-04 Annual Special Tax Requirement (\$1,050,600) is shown in Table No. 3 below:

**Table No. 3  
Sample Tax Spread Per Taxable Tract**

<b>Taxable Tract</b>	<b>Maximum Annual Special Tax Payment</b>	<b>FY 2003-04 Special Tax Payment</b>
9164a	\$129,870	\$117,228.79
9164b	\$101,565	\$91,678.93
9165	\$93,240	\$84,164.26
9166	\$73,260	\$66,129.06
9167	\$156,510	\$141,275.74
9168	\$114,210	\$103,093.10
9169	\$112,695	\$101,725.56
9170a	\$125,490	\$113,275.13
9170b	\$131,560	\$118,754.30
9171	<u>\$125,490</u>	<u>\$113,275.13</u>
	\$1,163,890	\$1,050,600.00

- 2) Each Taxable Tract's FY 2003-04 Special Tax Requirement obligation calculated in Step No. 1 is spread equally to each Taxable Parcel within their respective Taxable Tract as shown in Table No. 4 below.

**Table No. 4**  
**Sample Special Tax Spread Per Taxable Parcel**

Taxable Tract	No. of Taxable Parcels	FY 2003-04 Special Tax Payment per Tract	FY 2003-04 Special Tax Payment per Parcel
9164a	78	\$117,228.79	\$1,502.93
9164b	61	\$91,678.93	\$1,502.93
9165	56	\$84,164.26	\$1,502.93
9166	44	\$66,129.06	\$1,502.93
9167	74	\$141,275.74	\$1,909.13
9168	54	\$103,093.10	\$1,909.13
9169	33	\$101,725.56	\$3,082.59
9170a	47	\$113,275.13	\$2,410.11
9170b	44	\$118,754.30	\$2,698.96
9171	<u>47</u>	<u>\$113,275.13</u>	\$2,410.11
Total	538	\$1,050,600.00	

**COLLECTION OF THE ANNUAL SPECIAL TAX**

Each year, the City will coordinate with the Santa Clara County Auditor's office to have the Annual Special Tax for each applicable Taxable Parcel placed on the property tax roll, or will effect a direct billing of the Annual Special Tax to the Property Owners of the Taxable Parcel.

**TERM OF SPECIAL TAX**

The Special Tax shall be levied for a period not to exceed thirty (30) years commencing with Fiscal Year 2003-04.

**PROPERTY OWNER APPEALS OF SPECIAL TAX LEVIES**

Any Property Owner claiming that the amount or application of the Special Tax is not correct and requesting a refund may file a written notice of appeal and refund to that effect with the City Finance Director not later than one calendar year after having paid the Special Tax that is disputed. The City Finance Director shall promptly review the appeal, and if necessary, meet with the Property Owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the City Finance Director's decision requires that the Special Tax be modified or changed in favor of the Property Owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the City Finance Director shall be referred to the City Council and the decision of the City



Council shall be final. This procedure shall be exclusive and its exhaustion by any Property Owner shall be a condition precedent to any legal action by such owner.

### **MANDATORY PROPERTY OWNER BUY DOWN**

In the event a Property Owner requests to remap or eliminate a Taxable Tract from the City and the remapping will result in fewer Taxable Parcels within that Taxable Tract as shown in Table No. 1, the Property Owner will be responsible for prepaying the Special Tax associated with the number of Taxable Parcels which were not mapped in the revised Taxable Tract. The prepayment calculation for the Taxable Parcels will be calculated pursuant to the section entitled "Prepayment Calculation of Special Taxes For A Taxable Parcel After Bonds Are Issued".

### **PREPAYMENT CALCULATION OF SPECIAL TAXES FOR A TAXABLE PARCEL AFTER BONDS ARE ISSUED**

The Special Tax obligation for a Taxable Parcel may be prepaid after Bonds have been issued if the Taxable Parcel is not delinquent in their Special Tax payments based upon the following formula. The Property Owner requesting the prepayment must provide the City a minimum of 75 days notice prior to the redemption date of the Bonds to be redeemed with the proceeds of the prepaid Special Taxes. The prepayment must be received by the City's Finance Director forty five (45) days prior to the redemption date.

- 1) Determine the Maximum Annual Special Tax for the Taxable Parcel which is proposed to be prepaid.
- 2) Determine the total Maximum Annual Special Taxes for all Taxable Parcels within the boundaries of the CFD which have not prepaid their Special Taxes.
- 3) Determine the Taxable Parcel's pro-rata share of the prepayment obligation by dividing the Maximum Annual Special Tax for the Taxable Parcel which is proposed to be prepaid by the Total Maximum Annual Special Taxes for all Taxable Parcels within the boundaries of the CFD which have not prepaid their Special Taxes (refer to Table No. 1 and Table No. 2).
- 4) Calculate the total amount of outstanding unpaid principal of the Bonds.
- 5) Determine the Taxable Parcel's pro-rata share of the outstanding unpaid principal of the Bonds by multiplying the Taxable Parcel's pro-rata share of prepayment obligation as calculated in Step No. 3 by the total amount of outstanding unpaid principal of the Bonds.
- 6) Calculate the total amount of interest due at the next interest payment date for the Bonds.
- 7) Determine the Taxable Parcel's pro-rata share of the interest due at the next interest payment date for the Bonds by multiplying the Taxable Parcel's pro-rata share of prepayment obligation as calculated in Step No. 3 by the total amount of interest due at the next interest payment date.
- 8) Calculate the redemption premium on the outstanding unpaid principal of the Taxable Parcel's pro-rata share of the Bonds pursuant to the terms and conditions in the Fiscal Agent Agreement for the Bonds, if any.

- 9) Calculate the total amount of revenue in the Reserve Fund established under the Fiscal Agent Agreement for the Bonds. If the amount of revenue in the Reserve Fund is equal to or in excess of the amount required to fully fund the Reserve Fund per the Fiscal Agent Agreement for the Bonds, proceed to Step No. 10 below. If the amount of revenue in the Reserve Fund is less than the amount required to fully fund the Reserve Fund per the Fiscal Agent Agreement for the Bonds, proceed to Step No. 11 below.
- 10) Multiply the Taxable Parcel's pro-rata share of prepayment obligation as calculated in Step No. 3 by the total amount of revenue in the Reserve Fund.
- 11) Calculate the City administrative fee for the prepayment of Special Taxes.
- 12) Calculate the prepayment of Special Taxes after Bonds are issued for each Taxable Parcel as follows:

The Taxable Parcel's pro-rata share of the outstanding unpaid principal of the Bonds as calculated in Step No. 5, plus,

The Taxable Parcel's pro-rata share of the interest due at the next interest payment date as calculated in Step No. 7, plus,

The Taxable Parcel's pro-rata share of the redemption premium due on the outstanding unpaid principal of the Bonds as calculated in Step No. 8, less,

The Taxable Parcel's pro-rata share of the Reserve Fund as calculated in Step No. 10, if the amount of revenue in the Reserve Fund is equal to or in excess of the amount required to fully fund the Reserve Fund per the Fiscal Agent Agreement for the Bonds, plus,

A City administrative processing fee for calculating and administering the prepayment, including any filing costs or other out of pocket costs for removing the lien as determined by the City's Finance Director, to reasonably reflect the City's cost for performing these tasks. The City's administrative processing fees may include any outside consulting or administrative fees associated with the prepayment.

In addition, the City's Finance Director has the authority to adjust the prepayment amount per Taxable Parcel calculated above if the Property Owner has paid a portion or all of their current property tax bill and the portion attributable to the payment of Special Taxes has not been used to make an interest and/or principal payment on the Bonds.

### **PARTIAL PREPAYMENT CALCULATION OF SPECIAL TAXES FOR A TAXABLE TRACT AFTER BONDS ARE ISSUED**

The Special Tax obligation for a Taxable Tract may be partially prepaid after Bonds have been issued under the following conditions: 1) the Property Owner is not delinquent on any Special Tax payments within the boundaries of the CFD, 2) the partial prepayment is made prior to the close of escrow on the sale of the first residential unit within the Taxable Tract to the end user, 3) the partial prepayment is made on the entire

Taxable Tract resulting in all Taxable Parcels within that Taxable Tract being reduced by the same amount, 4) the partial prepayment on a Taxable Tract does not result in lowering the Maximum Special Tax per Taxable Parcel within that Taxable Tract to less than the Maximum Special Tax per Taxable Parcel within another Taxable Tract that has a lower average residential sales price, (for example, Taxable Tract No. 9168 cannot have its Maximum Special Tax Per Taxable Parcel reduced less than Taxable Tract No. 9166's Maximum Special Tax Per Taxable Parcel), 5) the Property Owner requesting the partial prepayment provides the City a minimum of 75 days notice prior to the redemption date of the Bonds to be redeemed with the proceeds of the partial prepayment of the Special Taxes, and 6) the partial prepayment of the Special Taxes for a Taxable Tract is based upon the following formula:

- 1) Determine the amount of reduction proposed by the Property Owner to the Maximum Annual Special Tax per Taxable Parcel within the Taxable Tract.
- 2) Determine the reduction in the Maximum Annual Special Tax per Taxable Tract by multiplying the number of Taxable Parcels within the Taxable Tract by the proposed reduction to the Maximum Annual Special Tax per Taxable Parcel.
- 3) Determine the total Maximum Annual Special Taxes for all Taxable Parcels within the boundaries of the CFD which have not prepaid their Special Taxes.
- 4) Determine the Taxable Tract's pro-rata share of the partial prepayment obligation by dividing the partial prepayment amount calculated in Step No. 2 above by the Total Maximum Annual Special Taxes for all Taxable Tracts within the boundaries of the CFD which have not prepaid their Special Taxes (refer to Table No. 1 and Table No. 2).
- 5) Calculate the total amount of outstanding unpaid principal of the Bonds.
- 6) Determine the partial prepayment portion of the Taxable Tract's pro-rata share of the outstanding unpaid principal of the Bonds by multiplying the Taxable Tract's pro-rata share of partial prepayment obligation as calculated in Step No. 4 by the total amount of outstanding unpaid principal of the Bonds.
- 7) Calculate the total amount of interest due at the next interest payment date for the Bonds.
- 8) Determine the partial prepayment portion of the Taxable Tract's pro-rata share of the interest due at the next interest payment date for the Bonds by multiplying the Taxable Tract's pro-rata share of partial prepayment obligation as calculated in Step No. 4 by the total amount of interest due at the next interest payment date.
- 9) Calculate the redemption premium on the outstanding unpaid principal of the partial prepayment portion of the Taxable Tract's pro-rata share of the Bonds pursuant to the terms and conditions in the Fiscal Agent Agreement for the Bonds, if any.
- 10) Calculate the total amount of revenue in the Reserve Fund established under the Fiscal Agent Agreement for the Bonds. If the amount of revenue in the Reserve Fund is equal to or in excess of the amount required to fully fund the Reserve Fund per the Fiscal Agent Agreement for the Bonds, proceed to Step No. 11 below. If the amount of revenue in the Reserve Fund is less than the amount required to fully fund the Reserve Fund per the Fiscal Agent Agreement for the Bonds, proceed to Step No. 12 below.
- 11) Multiply the partial prepayment portion of the Taxable Tract's pro-rata share of partial prepayment obligation as calculated in Step No. 4 by the total amount of revenue in the Reserve Fund.
- 12) Calculate the City administrative fee for the partial prepayment of Special Taxes.

13) Calculate the partial prepayment of Special Taxes for a Taxable Tract after Bonds the are issued as follows:

The Taxable Tract's pro-rata share of the outstanding unpaid principal of the Bonds as calculated in Step No. 6, plus,

The Taxable Tract's pro-rata share of the interest due at the next interest payment date as calculated in Step No. 8, plus,

The Taxable Tract's pro-rata share of the redemption premium due on the outstanding unpaid principal of the Bonds as calculated in Step No. 9, less,

The Taxable Tract's pro-rata share of the Reserve Fund as calculated in Step No. 11, if the amount of revenue in the Reserve Fund is equal to or in excess of the amount required to fully fund the Reserve Fund per the Fiscal Agent Agreement for the Bonds, plus,

A City administrative processing fee for calculating and administering the partial prepayment, including any filing costs or other out of pocket costs for removing the lien as determined by the City's Finance Director to reasonably reflect the City's cost for performing these tasks. The City's administrative processing fees may include any outside consulting or administrative fees associated with the prepayment.

In addition, the City's Finance Director has the authority to adjust the partial prepayment amount per Taxable Tract calculated above if the Property Owner has paid a portion or all of their current property tax bill and the portion attributable to the payment of Special Taxes has not been used to make an interest and/or principal payment on the Bonds.