

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Hugh R. Riley, Assistant City Manager



DATE: June 21, 2010 (CC Meeting of July 7, 2010)

SUBJECT: Consider Completing the Annexation of Former School Site in Moorpark Highlands to Community Facilities District 2004-1 by Adopting a Resolution Annexing Territory to Community Facilities District, Authorizing the Levy of a Special Tax in the Annexed Area and Submitting Levy of Tax to Qualified Electors; and by Adopting a Resolution Declaring the Results of Special Annexation and Amendment of Rate and Method of Apportionment, of the Special Tax Election, Determining Validity of Prior Proceedings and Directing Recording of Amended Notice of Special Tax Lien

BACKGROUND

The City has previously formed the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) (the "CFD") and in 2006 issued bonds for the CFD, a portion of the proceeds of which were intended to be used to reimburse Pardee for infrastructure improvements, capital improvement fees, and the acquisition of a 22-acre school site for the Moorpark Unified School District.

In October of 2008, the Moorpark Unified School District (MUSD) made a decision to not proceed with the construction of the school site and made a request to terminate the agreement with Pardee Homes. Pardee Homes and the MUSD have been in a dispute over MUSD's ability to terminate the Purchase and Sale Agreement with regards to the purchase of the school site. On April 1, 2009, the City of Moorpark and Pardee Homes executed the Memorandum of Understanding (MOU) to process a proposed residential project on the school site. The proposed residential neighborhood will consist of 133 detached units and will include 7 affordable homes.

Pardee has previously agreed that as part of its entitlements for development of the former 22-acre school site that it will consent to annexation of the property into the CFD. The addition of the 133 new homes to the District in Zone 3 will result in an overall decrease in Special Taxes for each property owner of approximately 16%. Of the 133

new homes, the 7 affordable units will be exempt from the Special Taxes so they will remain affordable. As part of the agreement, Pardee has also agreed to limit its use of the bond proceeds to a total of \$27 million of the originally available \$34 million.

Based on the recent MOU between the City and Pardee and considering previous reimbursements to date, Pardee is eligible to be reimbursed up to approximately an additional \$6,000,000 for improvements constructed, provided the terms in the MOU are implemented through approval of the proposed residential project on the school site.

In addition, in the MOU both parties agree that the remaining Improvement Fund money (net of fees and penalties) will be applied to redeem approximately \$8.395 million of bonds. This will result in a decrease in the Special Taxes for each property owner within the District, currently estimated to be approximately a 21% decrease to the property owners, for a total decrease in Special Taxes of approximately 37%.

In connection with the annexation, the Council needs to give final approval to the Amended Rate and Method of Apportionment of Special Tax for the CFD (which is the document that sets the special tax rate for each property). The amendment establishes the special tax rates of the property to be annexed.

On June 16 the City Council adopted Resolution 2010-2922 declaring the City's intention to annex the former school site to CFD 2004-1, approving the Amended Rate and Method of Apportionment and setting July 7, 2010 as the date for a public hearing for the matter's final consideration.

DISCUSSION

Staff is requesting that the City Council hold a public hearing to approve the annexation of the Pardee school site into the CFD. In connection with the annexation, the Council also needs to approve the final amendment to the Rate and Method of Apportionment of Special Tax for the CFD (which is the document that sets the Special Tax Rate for each property). The amendment establishes the special tax rates of the property to be annexed.

With the consent of Pardee, the Rate and Method of Apportionment of Special Tax for the CFD has been corrected from that presented at the June 16th meeting, to include the seven additional affordable units in the definition of "Affordable Units" as units to be exempt from the Special Taxes and to reflect the correct amount of bonds to be redeemed (\$8,395,000 instead of \$10,320,000). The resolution reflects these changes.

Tonight's actions will complete the legal process for the annexation of the school site into the CFD and the amendment of the tax rate to reflect the new tax on the school site property and the reduced tax on the original CFD parcels. The legal process (i) begins with the call for a public hearing (which was set at the June 16th meeting and has been noticed), then (ii) adoption of the first Resolution, (iii) the announcement of the election

results (Pardee has turned in its ballot after the conclusion of the public hearing for the development entitlements), and (iv) the adoption of the second Resolution.

To complete the annexation, the City Council is asked to proceed as follows:

Conduct the Public Hearing. The public hearing will be opened on the topics of annexation of territory to the CFD and the levy of a special tax within the annexed area according to the First Amended Rate and Method of Apportionment as changed from the June 16th version. The proposed First Amended Rate and Method of Apportionment will result in a decrease of approximately 37% in the Special Tax on existing parcels and establish a special tax to be payable by Pardee and the eventual owners of homes in the annexed area.

Adoption of First Resolution After the public hearing, the Council may adopt the first resolution, which calls the landowner election approving the annexation and First Amended Rate and Method of Apportionment. The voters are the owners of the land to be annexed, which means the sole voter is Pardee. In this case,. Pardee has signed waivers to allow the City to conduct the actual election tonight, after adoption of the first resolution. Pardee will then cast its 22 (twenty-two) votes, representing a vote for each unimproved acre or portion thereof, on a ballot provided by the City. The Council will then ask the Clerk to read the results of the election.

Announcement of Election Result The Clerk will announce that she has received a vote of 100% of the landowners in the annexed area and the vote is 100% "yes".

Adoption of Second Resolution Once the vote is read the Council will adopt the second resolution which certifies the vote. With that, the property is officially annexed and the First Amended Rate and Method of Apportionment becomes the official tax rate document for the CFD. The resolution requests the Clerk to record appropriate notice with the County Recorder reflecting the special tax lien on property within the CFD, including the annexed area.

FISCAL IMPACT None

STAFF RECOMMENDATION

1. Open Public hearing and accept testimony; 2. Close Public Hearing; 3. Adopt Resolution No. 2010-____; 4. Announce Election Result; 5. Adopt Resolution No. 2010-____.

ATTACHMENTS:

1. Resolution 2010-____
2. Resolution 2010-____

ATTACHMENT 1

RESOLUTION NO. 2010-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AUTHORIZING ANNEXATION OF TERRITORY TO COMMUNITY FACILITIES DISTRICT 2004-1, AUTHORIZING THE LEVY OF A SPECIAL TAX IN THE ANNEXED AREA AND SUBMITTING LEVY OF TAX TO QUALIFIED ELECTORS

RESOLVED by the City Council (the "Council") of the City of Moorpark (the "City"), County of Ventura, State of California, that:

WHEREAS, this Council on June 16, 2010, considered and adopted its Resolution of the City Council of the City of Moorpark of Intention to Annex Territory to Community Facilities District 2004-1 (Moorpark Highlands) and to Consider Amendment of the Special Tax Formula and to Authorize the Levy of Special Taxes Therein (the "Resolution of Consideration") stating its intention to annex the territory to the City's Community Facilities District No. 2004-1 (Moorpark Highlands) (the "CFD") and to amend the Rate and Method of Apportionment for the CFD, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act");

WHEREAS, a copy of the Resolution of Consideration, incorporating a description and map of the proposed boundaries of the territory to be annexed to the CFD and stating the facilities to be provided and the rate and method of apportionment of the special tax to be levied within the territory to be annexed, to finance the facilities for the CFD, as set forth in Resolution No. 2005-2383, adopted by the Council on September 21, 2005 (the "Resolution of Formation") is on file in the office of the City Clerk and the provisions of the Resolution of Consideration and Resolution of Formation are incorporated herein by reference;

WHEREAS, on the date hereof, this Council held a noticed public hearing on the matters stated in the Resolution of Consideration and at such hearing all interested persons desiring to be heard on all matters pertaining to the annexation of territory to the CFD and the levy of said special taxes within the area proposed to be annexed were heard and a full and fair hearing was held;

WHEREAS, at the conclusion of such hearing, written protests had not been filed against the proposed annexation of territory to the CFD by (i) 50% of more of the registered voters, or six registered voters, whichever is more, residing in the existing CFD, or (ii) 50% or more of the registered voters, or six registered voters, whichever is more, residing in the territory proposed to be annexed to the CFD, or (iii) owners of one-half or more of the area of land in the territory proposed to be annexed to the CFD; and

WHEREAS, Annexation Map No. 1 to the CFD, showing the territory proposed to be annexed, and the proposed First Amended Rate and Method of Apportionment showing the Special Tax to be levied within the area to be annexed, are both on file with the City Clerk and reference is hereby made thereto, and

WHEREAS, the owner of all of the area of land in the territory proposed to be annexed to the CFD, has requested a modification of the proposed First Amended Rate and Method of Apportionment presented with the Resolution of Consideration.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. All prior proceedings taken by this Council with respect to the CFD and the proposed annexation of territory thereto and amendment of the Rate and Method of Apportionment for the CFD have been duly considered and are hereby determined to be valid and in conformity with the Act, and the CFD has been validly established pursuant to the Act. All references herein to the City Clerk shall be deemed to include any City official acting in the capacity of the City Clerk, including any deputy, assistant or acting or interim City Clerk.

SECTION 2. The description and map of the boundaries of the territory to be annexed to CFD, as described in said Annexation Map No. 1 to the CFD on file with the Clerk are hereby finally approved, are incorporated herein by reference, and shall be included within the boundaries of the CFD, and said territory is hereby ordered annexed to the CFD, subject to voter approval of the levy of the special taxes therein as hereinafter provided.

SECTION 3. The provisions of the Resolution of Formation and the Resolution of Consideration, each as heretofore adopted by this Council are by this reference incorporated herein as if fully set forth herein.

SECTION 4. The City hereby accepts and approves the request the owner of all of the area of land in the territory proposed to be annexed to the CFD of the proposed First Amended Rate and Method of Apportionment attached hereto as Exhibit A, which differs from the proposed First Amended Rate and Method of Apportionment presented with the Resolution of Consideration. The proposed First Amended Rate and Method of Apportionment attached hereto does not result in an increase in the special tax amount to be levied among the parcels of real property originally within the CFD. Following the annexation which is the subject of this proceeding, such First Amended Rate and Method of Apportionment will facilitate providing a tax rate for the CFD, including the annexed property.

SECTION 5. Pursuant to the provisions of the Act, the proposition of the levy of the special tax within the territory to be annexed to the CFD shall be submitted to the voters of the area to be annexed to the CFD at an election called therefor as hereinafter provided.

SECTION 6. This Council hereby finds that fewer than 12 persons have been registered to vote within the territory proposed to be annexed to the CFD for each of the 90 days preceding the close of the hearing heretofore conducted and concluded by this Council for the purposes of these proceedings. This Council additionally finds that the proposed First Amended Rate and Method of Apportionment results in a new or

increased special tax only on those parcels to be annexed and does not increase or extend the special tax on the parcels of real property originally within the CFD. Accordingly, and pursuant to Section 53326 and 53338 of the Act, this Council finds that for purposes of these proceedings the qualified electors are the landowners within the territory proposed to be annexed to the CFD and that the vote shall be by said landowners, each having one vote for each acre or portion thereof such landowner owns in the territory proposed to be annexed to the CFD.

SECTION 7. Pursuant to Section 53326 and 53338 of the Act, the election shall be conducted by mail ballot under Section 1340 of the California Elections Code. This Council hereby determines that paragraphs (a), (b), (c)(1), and (c)(3) of said Section 1340 are applicable to this election.

SECTION 8. The City has received waivers of certain time periods for the conduct of the election from all of the qualified electors. The Council hereby calls a special election to consider the measure described in the ballot referred to in Section 9. below, which election shall be held on July 7, 2010 in the regular meeting place of this Council, City Council Chambers, City of Moorpark, 799 Moorpark Ave., Moorpark, California.

SECTION 9. The City Clerk is hereby appointed as the election official to conduct the election and cause to be provided to the single landowner in the territory to be annexed to the CFD, a ballot in the form of Exhibit B hereto, which form of ballot is hereby approved.

SECTION 10. The City Clerk shall accept the ballots of the qualified electors received not later than the conclusion of the public hearing on the matter scheduled for July 7, 2010, whether received by mail or by personal delivery.

SECTION 11. This Council hereby further finds that the provision of Section 53326 and 53339.3 of the Act requiring a minimum of 90 days to elapse before such election is for the protection of voters, that the voters have waived such requirement and the date for the election hereinabove specified is established accordingly.

SECTION 12. The City Clerk shall certify to the adoption of this resolution and cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 7th day of July, 2010.

Janice S. Parvin, Mayor

ATTEST:

Deborah S. Traffenstedt, City Clerk

Exhibit A: First Amended Rate and Method of Apportionment
Exhibit B: Form of Ballot

EXHIBIT A

FIRST AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2004-1 OF THE CITY OF MOORPARK (Moorpark Highlands)

This First Amended Rate and Method of Apportionment of Special Tax represents a complete restatement of the original Rate and Method of Apportionment adopted on September 7, 2005. The First Amended Rate and Method of Apportionment of Special Tax was structured to reflect the effects of the annexation of territory into CFD No. 2004-1 through Annexation No. 1, and a bond call scheduled for September 1, 2010 in an amount equal to \$8,395,000.

A special tax as hereinafter defined shall be levied on and collected for Community Facilities District No. 2004-1 (Moorpark Highlands) of the City of Moorpark ("CFD No. 2004-1") each Fiscal Year, in an amount determined by the City Council of the City of Moorpark through the application of the appropriate Special Tax for "Annexed Property," "Developed Property," "Final Map Property," and "Undeveloped Property" as described below. All of the real property in CFD No. 2004-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560. The minimum acreage of Taxable Property for CFD No. 2004-1 is determined in accordance with Section K.

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

"Administrative Expenses" means any ordinary and necessary expense of the City of Moorpark to carry out the administration of CFD No. 2004-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of CFD No. 2004-1, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2004-1.

"Affordable Unit(s)" means, for each Fiscal year, up to a total of 28 dwelling unit(s) located on an Assessor's Parcel(s) of Residential Property within Zone 2 and 7 dwelling unit(s) located on an Assessor's Parcel(s) of Residential Property within Zone 3 that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing for very low income housing prior to March 1 of the prior Fiscal Year. In order to insure that a dwelling unit is

correctly classified as an Affordable Unit, the owner of such property shall provide the CFD Administrator with a copy of any applicable deed restrictions, resale restrictions, and/or regulatory agreements. Dwelling units shall be classified as Affordable Units by the CFD Administrator in the chronological order in which such notification is received. If the total number of Affordable Units exceeds the amount stated above, then the units exceeding such total shall not be considered Affordable Units and shall be assigned to Land Use Classes 1 through 5 within Zone 2 as described in Section E below based on the Building Square Footage for such units.

“Annexed Final Map Property” means an Assessor’s Parcel of Annexed Property that is included in a Final Map that was recorded prior to January 1 of the Fiscal Year preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to April 1 of the Fiscal Year preceding the Fiscal Year in which the Special Tax is being levied.

“Annexed Property” means all Assessor’s Parcels representing territory not identified within the original boundaries of CFD No. 2004-1 that have subsequently been annexed to CFD No. 2004-1, pursuant to Annexation Map No. 1, recorded on _____, 2010, in Book _____ Page _____ of Maps of Assessments and Community Facilities Districts in the recorder’s office of the County; such annexed territory shall be designated as Zone 3 property.

“Annexed Property Entitlements” means Amendment No. 1 to Specific Plan No. 95-2, Vesting Tentative Tract Map No. 5860, Residential Planned Development Permit No. 2009-02 and the Development Agreement by and between the City of Moorpark and Pardee Homes with respect to the Annexed Property, all as presented to the City of Moorpark Planning Commission June 15, 2010.

“Annexed Undeveloped Property” means an Assessor’s Parcel of Annexed Property that is not classified as Exempt Property, Developed Property, or Annexed Final Map Property.

“Assessor’s Parcel” means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 2004-1.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel Number.

“Assigned Special Tax for Facilities” means the annual special tax of that name described in Section E below.

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

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

“Boundary Map” means the map of the boundaries for CFD No. 2004-1, as approved by the City Council.

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

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

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

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2004-1” means Community Facilities District No. 2004-1 (Moorpark Highlands) established by the City under the Act.

“City” means the City of Moorpark.

“City Council” means the City Council of the City, acting as the Legislative Body of CFD No. 2004-1, or its designee.

“City Police Services” means the costs of police services for CFD No. 2004-1.

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

“Consumer Price Index” means the index published monthly by the U.S. Department of Labor, Bureau of Labor Statistics for all urban consumers in the Los Angeles-Riverside-Orange County area.

“County” means the County of Ventura.

“Developed Property” means all Assessor’s Parcels within Zones 1, 2, 3, and 4 of CFD No. 2004-1 for which Building Permits were issued on or before April 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied, provided that such Assessor’s Parcels were created on or before January 1 of such prior Fiscal Year and that each such Assessor’s Parcel is associated with a Lot, as determined reasonably by the City.

“Exempt Property” means all Assessor’s Parcels within Zones 1, 2, 3, and 4 of CFD No. 2004-1, or Annexed Property designated as being exempt from the Special Tax as determined in Section K.

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

“Final Map Property” means all Assessor’s Parcels within Zones 1, 2, 3, and 4 of CFD No. 2004-1, exclusive of Annexed Property,; (i) that are included in a Final Map that was recorded prior to January 1 of the Fiscal Year preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior to April 1 of the Fiscal Year preceding the Fiscal Year in which the Special Tax is being levied.

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Initial Special Tax for Facilities” means the annual special tax of that name described in Section D below.

“Land Use Type” means any of the land use types listed in Tables 1 to 4 below.

“Lot” means an individual legal lot created by a Final Map or Condo Unit created by a condominium plan for which a Building Permit could or has been issued.

“Maximum Special Tax” means the Maximum Special Tax for Facilities and the Maximum Special Tax for Services, determined in accordance with Section C, which can be levied by CFD No. 2004-1 in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax for Facilities” means the Maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 2004-1 in any Fiscal Year on any Assessors’ Parcel.

“Maximum Special Tax for Services” means the Maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 2004-1 in any Fiscal Year on any Assessor’s Parcel of Developed Property.

“Non Residential Property” means all Assessors’ Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

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

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

“Proportionately” means for Developed Property, the ratio of the actual Special Tax for Facilities levied on Developed Property to the Maximum Special Tax for Facilities for Developed Property is equal for all Assessor’s Parcels of Developed Property. For Final Map Property, it means that the ratio of the actual Special Tax for Facilities levied on Final Map Property to the Maximum Special Tax for Facilities for Final Map Property is equal for all Assessor’s Parcels of Final Map Property. For Annexed Final Map Property, it means that the ratio of the actual Special Tax for Facilities levied on Annexed Final Map Property to the Maximum Special Tax for Facilities for Annexed Final Map Property is equal for all Assessor’s Parcels of Annexed Final Map Property. For Undeveloped Property, it means that the ratio of the actual Special Tax for Facilities levied on Undeveloped Property to the Maximum Special Tax for Facilities for Undeveloped Property is equal for all Assessor’s Parcels of Undeveloped Property. For Annexed Undeveloped Property,

it means that the ratio of the actual Special Tax for Facilities levied on Annexed Undeveloped Property to the Maximum Special Tax for Facilities for Annexed Undeveloped Property is equal for all Assessor's Parcels of Annexed Undeveloped Property. Regarding the Special Tax for Services for Developed Property, "Proportionately" means the ratio of the actual Special Tax for Services levied on Developed Property to the Maximum Special Tax for Services for Developed Property is equal for all Assessor's Parcels of Developed Property.

"Residential Property" means all Assessors' Parcels of Developed Property or for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 2004-1 (including the Special Tax for Facilities and the Special Tax for Services) pursuant to the Act to fund the Special Tax Requirement.

"Special Tax for Facilities" means any of the special taxes authorized to be levied by CFD No. 2004-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

"Special Tax for Services" means any of the special taxes authorized to be levied by CFD No. 2004-1 pursuant to the Act to fund the Special Tax Requirement for Services.

"Special Tax Requirement for Facilities" means the amount required in any Fiscal Year for CFD No. 2004-1 to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection of funds in any Fiscal Year to pay directly for the acquisition or construction of eligible facilities or for the payment of City Police Services authorized by CFD No. 2004-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Final Map Property or Undeveloped Property, less (vi) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

"Special Tax Requirement for Services" means the amount determined in any Fiscal Year for CFD 2004-1 equal to (i) the budgeted costs of the City Police Services during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in CFD 2004-1 for the previous Fiscal Year.

"Taxable Property" means all Assessors' Parcels within Zones 1, 2, 3, and 4 of CFD No. 2004-1 that are not Exempt Property.

"Undeveloped Property" means all Assessors' Parcels within Zones 1, 2, 3, and 4 of CFD No. 2004-1 of Taxable Property, which are not Developed Property, Annexed Property, or Final Map Property.

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

“**Zone(s)**” means Zone 1, 2, 3, or 4 as geographically identified on the boundary map of the CFD No. 2004-1.

“**Zone 1**” means the specific area identified on the Boundary Map as Zone 1 of CFD No. 2004-1.

“**Zone 2**” means the specific area identified on the Boundary Map as Zone 2 of CFD No. 2004-1.

“**Zone 3**” means the specific area identified on the original Boundary Map as Zone 3 of CFD No. 2004-1, and territory annexed to CFD No. 2004-1 pursuant to Annexation Map No. 1.

“**Zone 4**” means the specific area identified on the Boundary Map as Zone 4 of CFD No. 2004-1.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2006-2007, each Assessor's Parcel within CFD No. 2004-1 shall be categorized into Zones 1, 2, 3, or 4 and shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Final Map Property, Annexed Final Map Property, Undeveloped Property, or Annexed Undeveloped Property. Lastly, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non Residential Property.

SECTION C MAXIMUM SPECIAL TAXES FOR ZONES 1, 2, 3, AND 4

1. Developed Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel of Residential Property that is classified as Developed Property shall be the amount determined by the greater of (i) the application of the Initial Special Tax for Facilities set forth in Section D, (ii) the application of the Assigned Special Tax for Facilities set forth in Section D or (iii) the application of the Backup Special Tax for Facilities set forth in Section E.
- b. The Maximum Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property shall be equal to the Assigned Special Tax for Facilities set forth in Section D.
- c. The Maximum Special Tax for Services for each Assessor's Parcel of Residential Property in Fiscal Year 2005-2006 shall be \$400 per Lot. The Maximum Special Tax for Services for each Assessor's Parcel of Non-Residential Property shall be \$1,500 per Acre. On each July 1, commencing July 1, 2006, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the greater of (i) three percent (3.00%), or (ii) the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year, not to exceed seven percent (7.00%).

2. Final Map Property and Undeveloped Property

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Final Map Property or Undeveloped Property shall be the Assigned Special Tax for Facilities set forth in Section D.

3. Annexed Final Map Property and Annexed Undeveloped Property

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Annexed Final Map Property or Annexed Undeveloped Property shall be equal to the Assigned Special Tax for Facilities set forth in Section D for Annexed Final Map Property and Annexed Undeveloped Property.

**SECTION D
INITIAL SPECIAL TAX FOR FACILITIES AND
ASSIGNED SPECIAL TAX FOR FACILITIES
FOR ZONES 1, 2, 3, AND 4**

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Developed Property within Zones 1, 2, 3 and 4, shall be subject to an Initial Special Tax for Facilities and an Assigned Special Tax for Facilities. The Initial Special Tax for Facilities and Assigned Special Tax for Facilities applicable to an Assessor's Parcel of Developed Property within CFD No. 2004-1 shall be determined pursuant to Tables 1 through 4 below.

**TABLE 1
ZONE 1 - DEVELOPED PROPERTY
INITIAL SPECIAL TAX FOR FACILITIES AND
ASSIGNED SPECIAL TAX FOR FACILITIES**

Land Use Type	Building Square Footage	Initial Special Tax for Facilities	Assigned Special Tax for Facilities
1. Residential Property	Less than 2,151	\$2,431 per Unit	\$3,858 per Unit
2. Residential Property	2,151 – 2,350	\$2,548 per Unit	\$4,044 per Unit
3. Residential Property	2,351 – 2,550	\$2,646 per Unit	\$4,200 per Unit
4. Residential Property	2,551 – 2,750	\$2,689 per Unit	\$4,268 per Unit
5. Residential Property	Greater than 2,750	\$2,825 per Unit	\$4,483 per Unit
6. Non Residential Property	N/A	\$25,315 per Acre	\$40,182 per Acre

TABLE 2
ZONE 2 - DEVELOPED PROPERTY
INITIAL SPECIAL TAX FOR FACILITIES AND
ASSIGNED SPECIAL TAX FOR FACILITIES

Land Use Type	Building Square Footage	Initial Special Tax for Facilities	Assigned Special Tax for Facilities
1. Residential Property	Less than 1,401	\$1,286 per Condo Unit	\$2,041 per Condo Unit
2. Residential Property	1,401 – 1,600	\$1,502 per Condo Unit	\$2,383 per Condo Unit
3. Residential Property	Greater than 1,600	\$1,776 per Condo Unit	\$2,818 per Condo Unit
4. Non Residential Property	N/A	\$49,789 per Acre	\$79,030 per Acre

TABLE 3
ZONE 3 - DEVELOPED PROPERTY
INITIAL SPECIAL TAX FOR FACILITIES AND
ASSIGNED SPECIAL TAX FOR FACILITIES

Land Use Type	Building Square Footage	Initial Special Tax for Facilities	Assigned Special Tax for Facilities
1. Residential Property	Less than 2,351	\$2,834 per Unit	\$4,497 per Unit
2. Residential Property	2,351 – 2,600	\$2,887 per Unit	\$4,581 per Unit
3. Residential Property	2,601 – 2,850	\$2,939 per Unit	\$4,665 per Unit
4. Residential Property	2,851 – 3,100	\$3,016 per Unit	\$4,786 per Unit
5. Residential Property	3,101 – 3,350	\$3,136 per Unit	\$4,977 per Unit
6. Residential Property	3,351 – 3,600	\$3,501 per Unit	\$5,556 per Unit
7. Residential Property	3,601 – 3,850	\$3,618 per Unit	\$5,742 per Unit
8. Residential Property	3,851 – 4,100	\$3,745 per Unit	\$5,943 per Unit
9. Residential Property	4,101 – 4,350	\$3,908 per Unit	\$6,203 per Unit
10. Residential Property	4,351 – 4,600	\$4,026 per Unit	\$6,390 per Unit
11. Residential Property	Greater than 4,600	\$4,143 per Unit	\$6,576 per Unit
12. Non Residential Property	N/A	\$16,072 per Acre	\$25,511 per Acre

TABLE 4
ZONE 4 - DEVELOPED PROPERTY
INITIAL SPECIAL TAX FOR FACILITIES AND
ASSIGNED SPECIAL TAX FOR FACILITIES

Land Use Type	Building Square Footage	Initial Special Tax for Facilities	Assigned Special Tax for Facilities
1. Residential Property	Less than 3,201	\$3,697 per Unit	\$5,868 per Unit
2. Residential Property	3,201 – 3,750	\$3,956 per Unit	\$6,278 per Unit
3. Residential Property	3,751 – 4,300	\$4,073 per Unit	\$6,464 per Unit
4. Residential Property	4,301 – 4,900	\$4,237 per Unit	\$6,725 per Unit
5. Residential Property	Greater than 4,900	\$4,472 per Unit	\$7,097 per Unit
6. Non Residential Property	N/A	\$6,322 per Acre	\$10,034 per Acre

2. Final Map Property and Undeveloped Property

Each Fiscal Year, each Assessor's Parcel classified as Final Map Property or Undeveloped Property within CFD No. 2004-1 shall be subject to an Initial Special Tax for Facilities and an Assigned Special Tax for Facilities. The Initial Special Tax for Facilities and Assigned Special Tax for Facilities applicable to an Assessor's Parcel of Final Map Property or Undeveloped Property within CFD No. 2004-1 shall be determined pursuant to Tables 5 below.

TABLE 5
FINAL MAP PROPERTY AND UNDEVELOPED PROPERTY
INITIAL SPECIAL TAX FOR FACILITIES AND
ASSIGNED SPECIAL TAX FOR FACILITIES

Zone	Initial Special Tax for Facilities	Assigned Special Tax for Facilities
Zone 1	\$25,315 per Acre	\$40,182 per Acre
Zone 2	\$49,789 per Acre	\$79,030 per Acre
Zone 3	\$16,072 per Acre	\$25,511 per Acre
Zone 4	\$6,322 per Acre	\$10,034 per Acre

3. Annexed Final Map Property and Annexed Undeveloped Property

Each Fiscal Year, each Assessor's Parcel classified as Annexed Final Map Property or Annexed Undeveloped Property within CFD No. 2004-1 shall be subject to an Initial Special Tax for Facilities and an Assigned Special Tax for Facilities. The Initial Special Tax for Facilities and Assigned Special Tax for Facilities for an Assessor's Parcel classified as Annexed Final Map Property or Annexed Undeveloped Property shall be \$30,209 per Acre and \$47,936 per Acre, respectively.

**SECTION E
BACKUP SPECIAL TAXES FOR FACILITIES
FOR ZONES 1, 2, 3, AND 4**

Each Fiscal Year, each Assessor's Parcel of Developed Property classified as Residential Property shall be subject to a Backup Special Tax for Facilities. In each Fiscal Year, the Backup Special Tax for Facilities within each Final Map shall be the amount per Lot calculated according to the following sections:

$$B = \frac{R \times A}{L}$$

The terms above have the following meanings:

- B = Backup Special Tax for Facilities per Lot in each Fiscal Year.
- R = Maximum Special Tax for Facilities per Acre for Undeveloped Property. For Annexed Property, the Maximum Special Tax for Facilities per Acre for Annexed Undeveloped Property.
- A = Acreage of Developed Property classified or to be classified as Residential Property in such Final Map.
- L = Lots in the Final Map which are classified or to be classified as Residential Property.

Based on the preceding formula, Table 6 identifies the Backup Tax Special Tax for Facilities for each Final Map within CFD No. 2004-1

**TABLE 6
BACKUP SPECIAL TAX RATES FOR FACILITIES**

Final Map	Zone	Backup Special Tax
5045-2	Zone 1	\$4,922.08 per Lot
5045-6	Zone 2	\$2,535.12 per Lot
5045-3	Zone 3	\$5,064.93 per Lot
5045-4	Zone 3	\$5,245.06 per Lot
5045-5	Zone 3	\$5,777.52 per Lot
5045-8	Zone 3	\$8,438.40 per Lot
5860	Zone 3	\$4,528.33 per Lot
5045-8	Zone 4	\$7,694.28 per Lot

Notwithstanding the foregoing, if all or any portion of the Final Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for Facilities for each affected Assessor's Parcel classified or to be classified as Residential Property in such Final Map area that is changed or modified shall be an amount per square foot of Acreage calculated as follows:

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

**SECTION F
METHOD OF APPORTIONMENT OF THE SPECIAL TAX
FOR FACILITIES AND THE SPECIAL TAX FOR SERVICES**

1. Commencing Fiscal Year 2006-2007 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Facilities on all Taxable Property within CFD No. 2004-1 until the total amount of Special Tax for Facilities equals the Special Tax Requirement for Facilities in accordance with the following steps:

Step One: The Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Developed Property, Annexed Final Map Property, and Annexed Undeveloped Property up to 100% of the applicable Initial Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities.

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

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

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

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

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

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

Notwithstanding the above, under no circumstances will the Special Taxes for Facilities levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2004-1.

2. Commencing Fiscal Year 2006-2007 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Services on all Developed Property within CFD No. 2004-1 until the total amount of Special Tax for Services equals the Special Tax Requirement for Services as follows:

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

**SECTION G
PREPAYMENT OF SPECIAL TAX FOR FACILITIES**

The following definitions apply to this Section G:

“CFD Public Facilities” means \$43,750,000 expressed in 2005 dollars, which shall increase by the Construction Inflation Index on January 1, 2006, and on each January 1 thereafter, or such lower number as (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2004-1, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture or functionally equivalent to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2004-1.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the Calendar Year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the City that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

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

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

An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the City with written notice of intent to prepay, and within 5 days of receipt of such notice, the City shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2004-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the City shall notify such owner of the prepayment amount of such Assessor's Parcel.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Taxes and the Backup Special Taxes applicable to the Assessor's Parcel. For Assessor's Parcels of Final Map Property, Annexed Final Map Property, Undeveloped Property, or Annexed Undeveloped Property for which a Building Permit has been issued, compute the Assigned Special Tax and the Backup Special Tax applicable to the Assessor's Parcel as though it was already designated as Developed Property based upon the Building Permit issued or to be issued for that Assessor's Parcel.
2. For each Assessor's Parcel to be prepaid, (a) divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax applicable to all Assessor's Parcels of Taxable Property at build out, as reasonably determined by the City, and (b) divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax applicable to all Assessor's Parcels of Taxable Property at build out, as reasonably determined by the City.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by Outstanding Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 9) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Bonds.
6. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the Outstanding Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."

8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than \$0.
10. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to the Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 2004-1 that there has been a prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax for Facilities obligation and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Taxes for Facilities shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.10 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX FOR FACILITIES

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

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

$$PP = P_G \times F$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.

P_G = the Prepayment Amount calculated according to Section G.

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

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the records of CFD No. 2004-1 that there has been a partial prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax for Facilities obligation, to indicate the partial prepayment of the Special Tax for Facilities obligation and the partial release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax for Facilities for shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.10 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding, the Special Tax for Facilities shall be levied on all Assessor's Parcels of Taxable Property. If any delinquent Special Tax for Facilities remain uncollected prior to or after all Bonds are retired, the Special Tax for Facilities may be levied to the extent necessary to reimburse CFD No. 2004-1 for uncollected Special Tax for Facilities associated with the levy of such Special Taxes for Facilities, but not later than the 2044-45 Fiscal Year.

The Special Tax for Services shall be levied for as long as the Special Tax for Services is needed to meet the Special Tax Requirement for Services as determined at the sole discretion of the City Council.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to (a) less than 9.86 Acres for Tax Zone 1, (b) less than 2.47 Acres for Tax Zone 2, (c) less

than 79.80 Acres for Tax Zone 3, or (d) less than 24.12 Acres for Tax Zone 4. Assessor's Parcels which cannot be classified as Exempt Property will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly. All Affordable Units shall be exempt from the Special Tax.

Notwithstanding any provision of this First Amended Rate and Method of Apportionment of Special Tax to the contrary, in any Fiscal Year after Fiscal Year 2010-2011, the Annexed Property shall be classified as Exempt Property and shall not be subject to the levy of Special Taxes other than as specified in the following sentence if any of the Annexed Property Entitlements are not effective due to the filing or prosecution of a legal challenge, the filing of a referendum petition or as the result of a referendum election. Such Exempt Property status shall continue until the Annexed Property receives final, effective entitlements from the City that either conform substantially to the Annexed Property Entitlements or are for a subsequent development plan submitted by the owner of the Annexed Property. Upon receiving such entitlements, the levy of the Special Taxes applicable to the Annexed Property shall resume as specified herein or as set forth in a subsequent amendment of this First Amended Rate and Method of Apportionment of Special Tax.

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 2004-1 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 rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel 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 Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2004-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

EXHIBIT B

**OFFICIAL BALLOT
SPECIAL TAX ANNEXATION ELECTION**

This ballot is for the special landowner election. You must return this ballot in the enclosed postage paid envelope to the office of the City Clerk of the City of Moorpark no later than the conclusion of the public hearing on the matter scheduled for July 7, 2010, whether received by mail or by personal delivery. The City Clerk's office is located at City Hall, City of Moorpark, City Hall, 799 Moorpark Ave., Moorpark, California, 93021.

To Vote, mark a cross (X) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

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

BALLOT MEASURE: Shall the City of Moorpark, by and for its Community Facilities District No. 2004-1 (Moorpark Highlands) (the "CFD"), be authorized to annex territory to the CFD and levy special taxes within the annexed territory pursuant to and as described in the Resolution of the Council of the City of Moorpark of Annexation of Territory to Community Facilities District, Authorizing the Levy of Special Taxes in the Annexed Area and Submitting the Levy of Tax to Qualified Electors, proposed by such Council on July 7, 2010?

YES: _____

NO: _____

By execution in the space provided below, you also confirm your waiver of the time limit pertaining to the conduct of the election and any requirement for notice of election and analysis and arguments with respect to the ballot measure, as such waivers are described and permitted by Section 53326(a) and 5327(b) of the California Government Code.

Number of Votes: 22

Property Owner: _____

By: _____

Title: _____

ATTACHMENT 2

RESOLUTION NO. 2010-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, DECLARING RESULTS OF SPECIAL ANNEXATION TO COMMUNITY FACILITIES DISTRICT 2004-1 AND AMENDMENT OF RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX ELECTION, DETERMINING VALIDITY OF PRIOR PROCEEDINGS AND DIRECTING RECORDING OF AMENDED NOTICE OF SPECIAL TAX LIEN

WHEREAS, in proceedings heretofore conducted by the Council pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), this Council has heretofore adopted a resolution calling a special election of the qualified landowner electors in the territory of land proposed to be annexed ("Annexation No. 1") to Community Facilities District No. 2004-1 (Moorpark Highlands) (the "CFD"), all as described in "A Resolution of the City Council of the City of Moorpark Authorizing Annexation of Territory to Community Facilities District 2004-1, Authorizing the Levy of Special Taxes in the Annexed Area and Submitting the Levy of Tax to Qualified Electors", adopted July 7, 2010;

WHEREAS, pursuant to the terms of the resolution which is hereby incorporated herein by this reference, the special election has been held and the City Clerk has filed a Canvass of Votes Cast in Special Election, a copy of which is attached hereto as an Exhibit; and

WHEREAS, this Council has reviewed the Canvass and hereby approves it.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The issue presented at the special election was the annexation of territory to the CFD and acceptance of the proposed First Amended Rate and Method of Apportionment for the CFD to authorize a special tax within the annexed area, to be levied in accordance with the formula heretofore approved by this Council as described in "A Resolution of the City Council of the City of Moorpark of Annexation of Territory to Community Facilities District, Authorizing the Levy of Special Taxes in the Annexed Area and Submitting the Levy of Tax to Qualified Electors", adopted July 7, 2010.

SECTION 2. Pursuant to the Canvass on file with the City Clerk, this Council finds that the issue presented at the special election was approved unanimously by the single landowner/elector of the land within the Annexation No. 1 area at the special election.

SECTION 3. Pursuant to such approval, Annexation No. 1 to the CFD is hereby declared to be fully annexed to and part of the CFD and this Council is authorized to and may levy special taxes therein in accordance with the First Amended Rate and Method of Apportionment for the CFD as heretofore provided in these proceedings.

SECTION 4. It is hereby found that all prior proceedings and actions taken by this Council in and for the CFD and the Annexation No. 1 thereto were valid and in conformity with the Act.

SECTION 5. Within 15 days of the date hereof, the City Clerk shall execute and cause to be recorded in the office of the County Recorder of the County of Ventura, an Amended Notice of Special Tax Lien as required by Section 3117.5 of the California Streets and Highways Code to reflect the subject of this proceeding.

SECTION 6. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 7th day of July, 2010.

Janice S. Parvin, Mayor

ATTEST:

Deborah S. Traffenstedt, City Clerk

Exhibit : Canvass and Statement of Result of Election

EXHIBIT B

OFFICIAL BALLOT
SPECIAL TAX ANNEXATION ELECTION

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To Vote, mark a cross (X) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden. All distinguishing marks are forbidden and make the ballot void.

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BALLOT MEASURE: Shall the City of Moorpark, by and for its Community Facilities District No. 2004-1 (Moorpark Highlands) (the "CFD"), be authorized to annex territory to the CFD and levy special taxes within the annexed territory pursuant to and as described in the Resolution of the Council of the City of Moorpark of Annexation of Territory to Community Facilities District, Authorizing the Levy of Special Taxes in the Annexed Area and Submitting the Levy of Tax to Qualified Electors, proposed by such Council on July 7, 2010?

YES: _____

NO: _____

By execution in the space provided below, you also confirm your waiver of the time limit pertaining to the conduct of the election and any requirement for notice of election and analysis and arguments with respect to the ballot measure, as such waivers are described and permitted by Section 53326(a) and 53327(b) of the California Government Code.

Number of Votes: 22

Property Owner: Pardee Homes, a California corporation

By:

Jim Bizzelle, Vice President

By:

Charles Curtis, Assistant Secretary