

RESOLUTION NO. 2014-0060

Adopted by the Sacramento City Council

March 11, 2014

RESOLUTION TO CHANGE THE APPROPRIATIONS LIMIT, THE DEBT LIMIT, AND THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

BACKGROUND

- A. On September 4, 2007, the City Council adopted Resolution No. 2007-655, thereby establishing the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the “**District**”) under the Mello-Roos Community Facilities Act of 1982, which is codified as Government Code sections 53311 through 53368.3 (the “**Act**”).
- B. On September 17, 2013, the City Council adopted Resolution No. 2013-0256 (the “**Resolution of Consideration**”), thereby declaring its intention to change the District and the original rate and method of apportionment of special taxes (the “**Original RMA**”) as follows:
- Amend the District’s original boundary map by dividing the District into two improvement areas designated Improvement Area No. 1 and Improvement Area No. 2, as shown on the amended boundary map titled “Proposed Amended Boundary of Community Facilities District No. 2007-01, Natomas Meadows, County of Sacramento, State of California” (the “**Amended Boundary Map**”). The Amended Boundary Map was subsequently recorded with the Sacramento County Clerk/Recorder in Book 20130805 at page 119. A reduced copy of the Amended Boundary Map is attached to this resolution as Exhibit A.
 - Amend the Original RMA so that each improvement area has its own rate and method of apportionment. The resulting rate and method of apportionment for Improvement Area No. 1 (“**Amended RMA-1**”) is attached as Exhibit B to this resolution, and the resulting rate and method of apportionment for Improvement Area No. 2 (“**Amended RMA-2**”) is attached as Exhibit C.
 - Change the debt limit for the District by reducing it from \$27,500,000 to \$22,000,000 and by allocating it so that Improvement Area No. 1 has a debt limit of \$14,000,000 and Improvement Area No. 2 has a debt limit of \$8,000,000, with debt for each improvement area payable exclusively from the special tax proceeds collected within that improvement area.

- Change the appropriations limit for the District by reallocating it so that Improvement Area No. 1 has an appropriations limit of \$1,300,000 and Improvement Area No. 2 has an appropriations limit of \$700,000.
- C. The special taxes collected within the District are not currently being used to retire any debt incurred under the Act.
- D. In accordance with the Resolution of Consideration, a public hearing was scheduled for 6:00 p.m. on Tuesday, September 3, 2013, in the City Council's regular meeting place: City Council Chambers, New City Hall, 915 I Street, first floor, Sacramento, California. The City Council subsequently continued the public hearing to September 10, 2013, at the same time and place. At the hearing, the City Council considered the proposed changes to the District and the Original RMA as set forth in the Resolution of Consideration. All persons interested in these matters, including all taxpayers, property owners, and registered voters residing within the District, were given an opportunity to appear and be heard, and the City Council heard and considered the testimony of all interested persons for or against the proposed changes to the District and the Original RMA.
- E. The proposed changes to the District and to the Original RMA were not precluded by a majority protest under Government Code section 53337. Accordingly, at the conclusion of the hearing the City Council adopted Resolution No. 2013-0301, thereby (1) designating Improvement Area No. 1 and Improvement Area No. 2 of the District as shown in the Amended Boundary Map and (2) ordering that the proposed changes to the District and the Original RMA be submitted to the District's qualified electors.
- F. A special mailed-ballot election within each improvement area of the District was held on Monday, December 9, 2013, in accordance with Resolution No. 2013-0301, the Act, and other applicable law. The City Clerk has certified to the City Council the result of the votes cast at the special mailed-ballot election, as follows: in each improvement area, more than two-thirds of all votes cast in the election were cast in favor of the proposed changes to the District and the Original RMA, as set forth in the Resolution of Consideration. The certification of election results is on file in the City Clerk's office.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The statements of fact in background paragraphs A through F are true.
- Section 2. In each improvement area, more than two-thirds of all votes cast at the special mailed-ballot election were cast in favor of the proposed changes to the District and the Original RMA, as set forth in the Resolution of Consideration.

Section 3. The City Council hereby determines that the proposed changes to the District and the Original RMA, as set forth in the Resolution of Consideration, are lawfully authorized as follows:

- (a) For Improvement Area No. 1, the Original RMA is replaced with Exhibit B to this resolution (Amended RMA-1), and for Improvement Area No. 2, the Original RMA is replaced with Exhibit C to this resolution (Amended RMA-2).
- (b) The debt limit for the District is reduced from \$27,500,000 to \$22,000,000 and allocated so that Improvement Area No. 1 has a debt limit of \$14,000,000 and Improvement Area No. 2 has a debt limit of \$8,000,000, with debt for each improvement area payable exclusively from the special tax proceeds collected within that improvement area.
- (c) The appropriations limit for the District is changed and allocated to the improvement areas so that for fiscal year 2013-2014 the appropriations limit for Improvement Area No. 1 is \$1,300,000 and the appropriations limit for Improvement Area No. 2 is \$700,000. The appropriations limit for each improvement area is to be adjusted as authorized by subdivision (h) of section 8 of article XIII B of the California Constitution.

Section 4. Upon recordation of a notice of change in accordance with Streets and Highways Code section 3117.5, the changes to the levy of the special tax will attach to all nonexempt real property in the District. The lien will continue in effect until the special-tax obligation is prepaid and permanently satisfied and the lien canceled in accordance with law or until collection of the special tax ceases.

Section 5. Exhibits A, B, and C are part of this resolution.

Table of Contents:

Exhibit A: Amended Boundary Map

Exhibit B: Amended RMA – Improvement Area No. 1

Exhibit C: Amended RMA – Improvement Area No. 2

Adopted by the City of Sacramento City Council on March 11, 2014, by the following vote:

Ayes: Members Ashby, Cohn, Fong, Hansen, McCarty, Pannell, Schenirer, Warren,
and Mayor Johnson

Noes: None

Abstain: None

Absent: None

Attest:

Shirley A. Concolino

Digitally signed by Shirley A. Concolino
DN: cn=Shirley A. Concolino, o=City of Sacramento, ou=City
Clerk, email=sconcolino@cityofsacramento.org, c=US
Date: 2014.03.20 12:18:46 -07'00'

Shirley Concolino, City Clerk

Exhibit A

Proposed Amended Boundary Map
 Community Facilities District No. 2007-01,
 Natomas Meadows
 City of Sacramento, County of Sacramento,
 State of California

Sheet 1 of 1

CLERK'S MAP FILING STATEMENT:

FILED IN THE OFFICE OF THE CLERK OF CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, THIS _____ DAY OF _____, 2013

 CITY CLERK
 CITY OF SACRAMENTO, CALIFORNIA

COUNTY RECORDER'S FILING STATEMENT:

FILED THIS _____ DAY OF _____, 2013 AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE _____, IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SACRAMENTO, STATE OF CALIFORNIA.

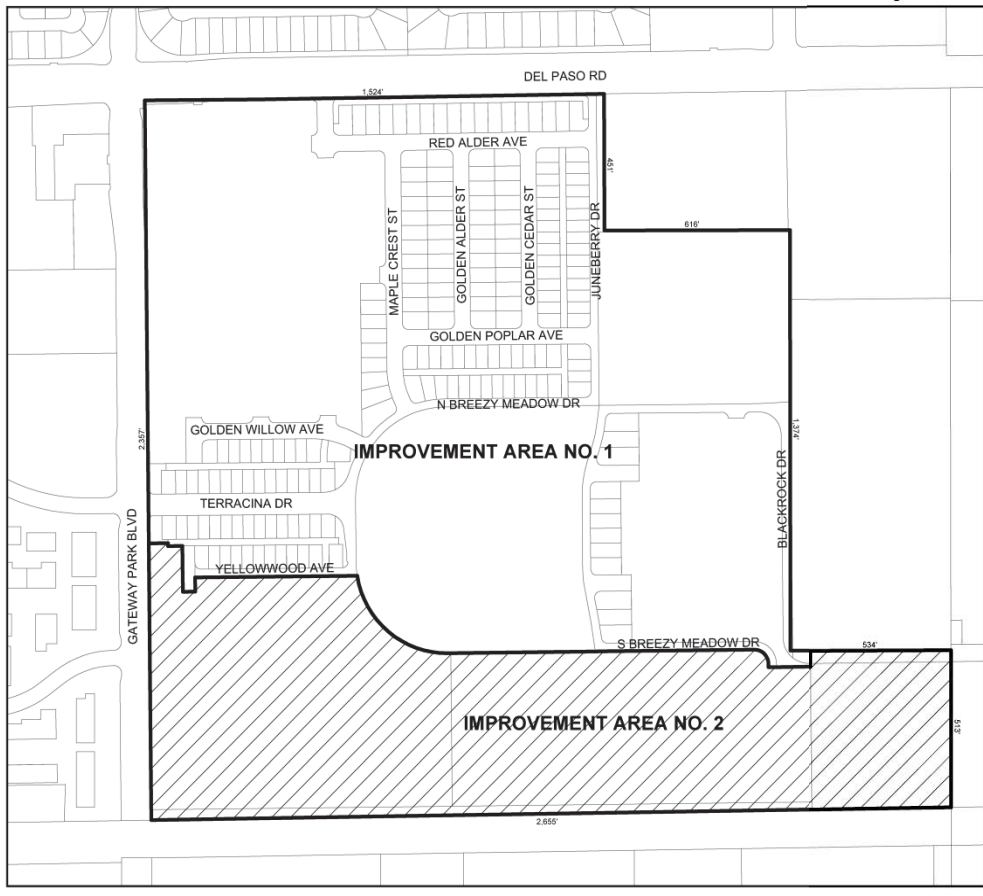
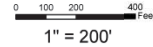
 COUNTY RECORDER
 OF THE COUNTY OF SACRAMENTO, CALIFORNIA

BY: _____ DEPUTY DOCUMENT NO. _____

CLERK'S CERTIFICATE:

I HEREBY CERTIFY THAT THE MAP SHOWING THE AMENDED BOUNDARY MAP COMMUNITY FACILITIES DISTRICT NO. 2007-01, NATOMAS MEADOWS, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2013, BY ITS RESOLUTION NO. _____

 CITY CLERK
 CITY OF SACRAMENTO, CALIFORNIA



**IMPROVEMENT AREA NO. 1
OF THE
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 1 in the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (herein "CFD No. 2007-01") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1 in CFD No. 2007-01, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

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 or other parcel map recorded at the County Recorder's Office.

"Act" means the Mello-Roos Community 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 or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2007-01 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2007-01.

"Administrator" means the person or firm designated by the City to administer the Special Taxes according to this RMA.

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

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

“Assessor’s Parcel Number” means that number assigned to an Assessor’s Parcel by the County for purposes of identification.

“Assigned Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.b below.

“Authorized Facilities” means those facilities that are authorized to be funded by CFD No. 2007-01.

“Backup Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.c below.

“Bonds” means any bonds or other debt (as defined in the Act), whether in one or more series, issued, insured, or assumed by Improvement Area No. 1 of CFD No. 2007-01 related to Authorized Facilities.

“Buildable Lot” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD No. 2007-01” means City of Sacramento Natomas Meadows Community Facilities District No. 2007-01.

“City” means the City of Sacramento.

“City Council” means the City Council of the City of Sacramento.

“County” means the County of Sacramento.

“Designated Buildable Lot” means a Buildable Lot for which a building permit has not been issued by the City before June 1 of the previous Fiscal Year.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued prior to June 1 of the preceding Fiscal Year.

“Exempt Property” means:

- (1) Public Property, except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act;
- (2) Parcels that are owned by a public utility for an unoccupied facility;
- (3) Parcels that are subject to an easement or other instrument that precludes any other use on the Parcel; and
- (4) Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site, or other site that will ultimately be owned by a public agency.

“Expected Residential Lot Count” means 120 Buildable Lots of Residential Property in Tax Zone 1, 113 Buildable Lots of Residential Property in Tax Zone 2, 168 Buildable Lots of Residential Property in Tax Zone 3, and 96 Buildable Lots of Residential Property in Tax Zone 4 or, as determined by the Administrator, the number of Buildable Lots of Residential Property in the applicable Tax Zone based on the most recently recorded Final Map or modified Final Map.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that created Buildable Lots. The term “Final Map” shall not include (i) any large-lot subdivision map, Assessor’s Parcel Map, or subdivision map, or portion thereof, that does not create Buildable Lots or (ii) Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 1” means Improvement Area No. 1 of CFD No. 2007-1.

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

“Land Use Class” means any of the classes listed in Table 1 below.

“Maximum Special Tax” means the Maximum Special Tax determined in accordance with Section C.1.a below that can be levied in any Fiscal Year on any Assessor’s Parcel.

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

“Proportionately” means (a) for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property within Improvement Area No. 1 or, if necessary pursuant to Section D below, that the ratio of the increase from the Assigned Special Tax to the Backup Special Tax levy, for those Assessor’s Parcels where the Backup Special Tax is greater than the Assigned Special Tax, is equal for Assessor’s Parcels of Developed Property; and (b) for Undeveloped Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property within Improvement Area No. 1.

“Public Property” means any property within the boundaries of Improvement Area No. 1 of CFD No. 2007-01 that is owned by the City, federal government, State of California or other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned property that is otherwise constrained by public use and necessity through easement, lease, or license shall be considered Public Property.

“Residential Floor Area” has the same meaning as that defined for the School Mitigation Fee by California Government Code Section 65995 for "Accessible Space," which is "all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area.

“Resolution of Change” means the resolution adopted by the City Council on XXXX with respect to, among other matters, the alteration of the rate and method of apportionment of special tax for Improvement Area No. 1.

“Residential Property” means all Assessor’s Parcels of Taxable Property for which a building permit may be issued for purposes of constructing one or more residential dwelling units.

“Residential Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. A second unit (granny flat) that shares a Parcel with a single family detached unit shall not be considered a Residential Unit for purposes of levying the Special Tax.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes within Improvement Area No. 1 which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2007-01. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture or other legal document that sets forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes within Improvement Area No. 1, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Tax Zone” means a mutually exclusive geographic area, within which particular Special Tax rates may be levied within Improvement Area No. 1 pursuant to this RMA. Attachment 1 identifies the Tax Zones in Improvement Area No. 1 in CFD No. 2007-01.

“Tax Zone 1” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 1.

“Tax Zone 2” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 2.

“Tax Zone 3” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 3.

“Tax Zone 4” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 4.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of Improvement Area A in CFD No.2007-01 which are not exempt from the Special Tax pursuant to law or Section F below.

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

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel Numbers for all Parcels of Taxable Property within Improvement Area No. 1. The Administrator shall also determine: (i) within which Tax Zone each Assessor’s Parcel is located, (ii) whether each Assessor’s Parcel of Taxable Property is Developed Property or Undeveloped Property, and (iii) the Special Tax Requirement.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in Improvement Area No. 1 in CFD No. 2007-01 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly- created parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor’s Parcel classified as Developed Property in Improvement Area No. 1 shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax that may be levied in Fiscal Year 2013-14 for each Land Use Class in Improvement Area No. 1 is shown below in Table 1.

Table 1
IMPROVEMENT AREA NO. 1
CFD No. 2007-1
ASSIGNED SPECIAL TAX
DEVELOPED PROPERTY

Land Use Class	Description	Residential Floor Area	2013-14 Assigned Special Tax *
<i>Tax Zone 1</i>			
1	Residential Property	> 1,300 sq. ft.	\$1,100 per Residential Unit
2	Residential Property	≤ 1,300 sq. ft.	\$750 per Residential Unit
3	Non-Residential Property		\$18,720 per Acre
<i>Tax Zone 2</i>			
4	Residential Property	> 1,950 sq. ft.	\$1,600 per Residential Unit
5	Residential Property	≤ 1,950 sq. ft.	\$1,200 per Residential Unit
6	Non-Residential Property		\$22,448 per Acre
<i>Tax Zone 3</i>			
7	Residential Property	> 2,500 sq. ft.	\$1,750 per Residential Unit
8	Residential Property	≤ 2,500 sq. ft.	\$1,400 per Residential Unit
9	Non-Residential Property		\$18,474 per Acre
<i>Tax Zone 4</i>			
10	Residential Property	> 2,300 sq. ft.	\$1,750 per Residential Unit
11	Residential Property	≤ 2,300 sq. ft.	\$1,200 per Residential Unit
12	Non-Residential Property		\$17,253 per Acre

** On July 1, 2014 and each July 1 thereafter, the Assigned Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.*

c. Backup Special Tax

The Backup Special Tax shall be \$902 per Residential Unit for Residential Property in Tax Zone 1, \$1,405 per Residential Unit for Residential Property in Tax Zone 2, \$1,575 per Residential Unit for Residential Property in Tax Zone 3, and \$1,648 per Residential Unit for Residential Property in Tax Zone 4.

On July 1, 2014 and each July 1 thereafter, the Backup Special Tax per Residential Unit within each of the Tax Zones shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

d. Mandatory Prepayment

If, in any Fiscal Year after the City has issued Bonds, a Final Map is proposed that results in a reduction in the Expected Residential Lot Count in the area affected by the Final Map, then the following steps shall be applied:

- Step 1:** The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 in CFD No. 2007-01 based on the Expected Residential Lot Count prior to the proposed reduction;
- Step 2:** The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 1 in CFD No. 2007-01 assuming the Final Map is approved hereby reducing the Expected Residential Lot Count;
- Step 3:** If the revenues calculated in Step 2 are: (i) less than those calculated in Step 1 and (ii) not sufficient to maintain the greater of 110% coverage on the Bonds' debt service or the coverage required within the official bond documents, the landowner of the property affected by the Final Map must prepay an amount sufficient to retire a portion of the Bonds and maintain the greater of 110% coverage on the Bonds' debt service or the coverage required within the official bond documents. The required prepayment shall be calculated using the formula set forth in Section G below. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map on which the land use change has occurred, the Administrator shall levy the amount of the mandatory prepayment on the Parcel(s) affected by the land use change or on any of the landowner's Parcel(s) of Undeveloped Property within that Final Map, and if this amount should, in any instance, exceed the Maximum Special Tax as defined herein, it shall nonetheless be authorized and shall not exceed the maximum special tax as that term is used in the Act.

If the revenues calculated in Step 2 are less than those calculated in Step 1, but the revenues calculated in Step 2 are sufficient to maintain the greater of 110% coverage on the Bond's debt service or the coverage required within the official bond documents, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property in Improvement Area No. 1 shall be \$18,720 per Acre for such property in Tax Zone 1, \$22,448 per Acre for such property in Tax Zone 2, \$18,474 per Acre for such property in Tax Zone 3, and \$17,253 per Acre for such property in Tax Zone 4. On July 1, 2014 and each July 1 thereafter, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year for Improvement Area No. 1. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in Improvement Area No. 1 up to 100% of the applicable Assigned Special Tax as shown in Table 1 above until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the levy of the Special Tax on each Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Parcel;

Step 4: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section F below, up to 100% of the Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances shall the Special Tax levied on any Assessor's Parcel of Residential Property for which a building permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1 in CFD No. 2007-01.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for Improvement Area No. 1 in CFD No. 2007-01 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and Authorized Facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2053-2054.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied in any Fiscal Year on Exempt Property or on Parcels in Improvement Area No. 1 that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section G below.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“Remaining Facilities Costs” means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued in Improvement Area No. 1 prior to the date of prepayment.

“Public Facilities Requirements” means either approximately \$9,445,000 in 2013 dollars, which shall increase on January 1, 2014, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News-Record or other comparable source if the Engineering News-Record is discontinued or otherwise not available, or such other number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by Improvement Area No. 1 in CFD No. 2007-01.

1. Prepayment in Full

The Special Tax obligation applicable to an Assessor's Parcel in Improvement Area No. 1 in CFD No. 2007-01 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. Prepayment is permitted only under the following condition; the City determines that the Prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds. Attachment 2 herein provides a sample prepayment calculation for a Parcel in Tax Zone 2. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or below):

Bond Redemption Amount
 plus Remaining Facilities Amount
 plus Redemption Premium
 plus Defeasance Requirement
 plus Administrative Fees and Expenses
 less Reserve Fund Credit
 equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1:** Compute the Assigned Special Tax and Backup Special Tax for the Assessor's Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. If this Section G is being applied to calculate a prepayment pursuant to Section C.I.d above, use, for purposes of this Step 1, the amount by which the expected Maximum Special Tax revenues have been reduced below the amount needed to maintain the greater of 110% coverage on the Bond's debt service or the coverage required within the official bond documents due to the change in land use that necessitated the prepayment.
- Step 2:** (a) Divide the Assigned Special Tax computed pursuant to Step 1 by the total estimated Assigned Special Taxes for Improvement Area No. 1 in CFD No. 2007-01 based on the Developed Property Special Tax which could be charged, using the rates for the current Fiscal Year, on all expected development through buildout of Improvement Area No. 1 in CFD No. 2007-01, excluding any Assessor's Parcels which have been prepaid, and
- (b) Divide the Backup Special Tax computed pursuant to Step 1 by the total estimated Backup Special Taxes at buildout of Improvement Area No. 1 in CFD No.2007-01, excluding any Assessor's Parcels which have been prepaid.
- Step 3:** Multiply the larger quotient computed pursuant to Step 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the ***"Bond Redemption Amount"***).
- Step 4:** Compute the current Remaining Facilities Costs (if any).
- Step 5:** Multiply the larger quotient computed pursuant to Step 2(a) or 2(b) by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (the ***"Remaining Facilities Amount"***).
- Step 6:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the ***"Redemption Premium"***).
- Step 7:** Compute the amount needed to pay interest on the Bond Redemption Amount

starting with the first Bond interest payment date after which the prepayment will be received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.

- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9:** Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (the *“Defeasance Requirement”*).
- Step 10:** The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (the *“Administrative Fees and Expenses”*).
- Step 11:** If, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Bond indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the *“Reserve Fund Credit”*).
- Step 12:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the *“Prepayment Amount”*).

Once a prepayment has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel or Buildable Lot for which a final inspection, or equivalent, has not yet been completed may be partially prepaid. However, such partial prepayment must be made in an amount equal to 25%, 50%, or 75% of the amount of the full prepayment calculated pursuant to Section G.1 above. In calculating the partial prepayment, the Administrator shall round up the amount required for the partial prepayment in order to redeem whole bonds, including any redemption premium. Prepayment is permitted only under the following condition; the City determines that the Prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds.

Upon issuance of a certificate of occupancy for an Assessor's Parcel, no partial prepayments will be accepted for the Parcel. In addition, only one partial prepayment shall be permitted for an Assessor's Parcel or Buildable Lot within Improvement Area No. 1 in CFD No. 2007-01.

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the Administrator of the percentage of the Special Tax to be prepaid. The Administrator shall provide the owner with a statement of the amount required for the partial prepayment within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the Administrator shall (i) distribute the remitted prepayment funds according to Section G.1, and (ii) indicate in the records of CFD No. 2007-01 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the un-prepaid percentage of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

H. INTERPRETATION OF SPECIAL TAX FORMULA

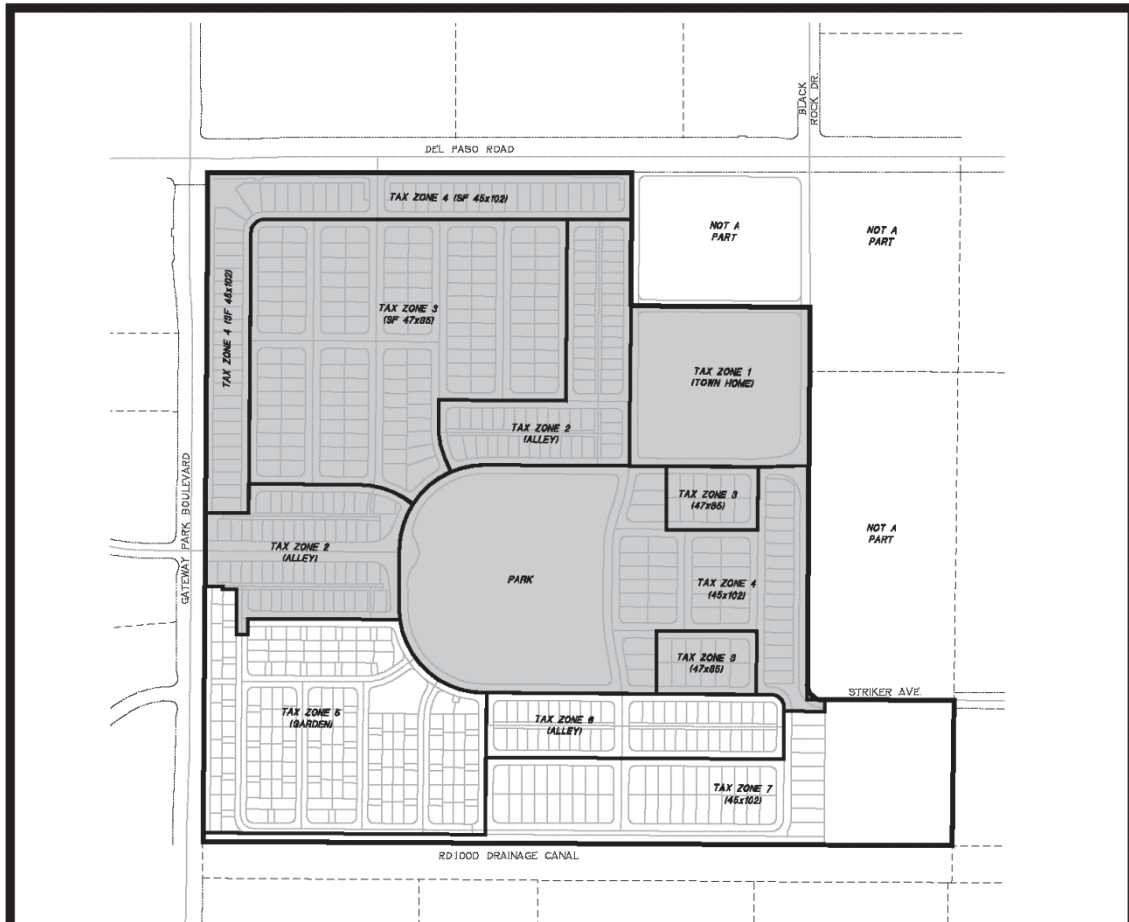
Interpretations may be made by resolution of the City Council for purposes of clarifying any vagueness or ambiguity in the Special Tax rates, method of apportionment, classification of properties, and any definition applicable to Improvement Area No. 1 in CFD No. 2007-01. The City Council's interpretation will be conclusive.

I. APPEALS

Any taxpayer who believes that the amount of the Special Tax assigned to a Parcel in Improvement Area No. 1 is in error may file a notice appealing the levy of the Special Tax with the City Treasurer's Office and the City Planning Department, Public Improvement Financing Division. City representatives shall then promptly review the appeal and, if necessary, meet with the taxpayer. If the City representatives determine that the Special Tax is in error, they shall recommend to the City Council that the Special Tax levy be corrected and, if applicable in any case, that a refund be granted. The City Council's decision on the recommendation will be final.

ATTACHMENT 1
IMPROVEMENT AREA No. 1
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT No. 2007-01

IDENTIFICATION OF TAX ZONES

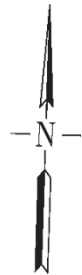


LEGEND

- IMPROVEMENT AREA 1
- IMPROVEMENT AREA 2

IMPROVEMENT AREA 1		
TAX ZONE	PRODUCT TYPE	UNIT COUNT
NO.1	TOWN HOME	120
NO.2	ALLEY	113
NO.3	SF 47x85	168
NO.4	SF 45x102	96

IMPROVEMENT AREA 2		
TAX ZONE	PRODUCT TYPE	UNIT COUNT
NO.5	GARDEN	163
NO.6	ALLEY	48
NO.7	SF 45x102	49



ATTACHMENT 1
PROPOSED TAX ZONES
NATOMAS MEADOWS
COMMUNITY FACILITIES DISTRICT 2007-01
PARDEE HOMES

RJA
RUGGERI-JENSEN-AZAR
 ENGINEERS • PLANNERS • SURVEYORS
 2541 WARREN DRIVE, SUITE 100 ROCKLIN, CA 95677
 PHONE: (916) 630-8900 FAX: (916) 630-8909

SCALE:
N/A

DATE:
07/11/2013

JOB NO.:
085023

ATTACHMENT 2

City of Sacramento
 Natomas Meadows Community Facilities District No. 2007-1
 Sample Prepayment Calculation
 for One Buildable Lot in Tax Zone 2 in Improvement Area 1

<u>Assumptions</u>	<u>Source of Calculation</u>	
Assigned Special Tax on a 2,261 Sq. Ft. Residential Unit in Tax Zone 2	[Per Table 1 of RMA]	\$1,600
Backup Special Tax on a 2,261 Sq. Ft. Residential Unit in Tax Zone 2	[Per Exhibit 2-B]	\$1,405
Total Expected Special Tax Revenues in CFD		\$1,024,950
Total Expected Special Tax Revenues in Improvement Area A in CFD		\$691,450
Improvement Area A Percentage of Total Expected Special Tax Revenues in CFD		67.46%
Total Public Facilities Requirement for CFD	[Per definition]	\$14,000,000
Total Public Facilities Requirement for Improvement Area A	[67.46% of \$20,000,000]	\$9,444,656
Construction Proceeds from First Bond Issue		<u>\$8,453,285</u>
Total Remaining Facilities Costs		\$991,371
Redemption Premium %		3.0%
Reserve Fund Requirement %		10.0%
Outstanding Bonds	[Gross Bond Amount for Improvement Area A]	\$10,585,000

Sample Prepayment Calculation (2,261 Sq. Ft. Residential Unit in Tax Zone 3)

<u>Steps from Section G of RMA</u>		<u>Source of Calculation</u>		
Step 1	Assigned Special Tax per Unit Backup Special Tax Per Unit	[From above assumptions]	\$1,600	\$1,405
Step 2	Special Tax as a % of Total Expected Special Tax Revenues	[Step 1 divided by Total Expected Special Tax Revenues]	0.23%	0.20%
Step 3	"Bond Redemption Amount"	[Larger quotient from Step 2 multiplied by Outstanding Bonds]		\$24,493
Step 4	Total Remaining Facilities Costs	[From above]		\$991,371
Step 5	"Remaining Facilities Amount"	[Larger quotient from Step 2 multiplied by Step 4]		\$2,015
Step 6	"Redemption Premium"	[Step 3 multiplied by Redemption Premium %]		\$735
Step 7	Interest Accrued on Bond Redemption Amount	[Covered by Special Tax levied in the year of prepayment]		\$0 ⁽¹⁾
Step 8	Interest Earned on Bond Redemption Amount and Bond Premium	[None due to bonds being retired at next interest payment]		\$0
Step 9	"Defeasance Requirement"	[Step 7 minus Step 8]		\$0
Step 10	"Administrative Fees and Expenses"	[Assumes \$500 per Residential Unit]		\$500
Step 11	"Reserve Fund Credit"	[Step 3 multiplied by Reserve Fund Requirement %]		(2,449)
Step 12	"Prepayment Amount"	[Sum of Steps 3, 5, 6, 9, and 10; minus Step 11]		\$25,294
		Partial Prepayment	25%	\$6,323
		Partial Prepayment	50%	\$12,647
		Partial Prepayment	75%	\$18,970

(1) Assumes bonds can be redeemed at the first interest payment date after the prepayment has been received.

**IMPROVEMENT AREA NO. 2
OF THE
CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 2 in the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (herein "CFD No. 2007-01") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 2 in CFD No. 2007-01, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

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 or other parcel map recorded at the County Recorder's Office.

"Act" means the Mello-Roos Community 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 or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2007-01 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with continuing disclosure requirements under the California Government Code with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2007-01.

"Administrator" means the person or firm designated by the City to administer the Special Taxes according to this RMA.

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

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

“Assessor’s Parcel Number” means that number assigned to an Assessor’s Parcel by the County for purposes of identification.

“Assigned Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.b below.

“Authorized Facilities” means those facilities that are authorized to be funded by CFD No. 2007-01.

“Backup Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.c below.

“Bonds” means any bonds or other debt (as defined in the Act), whether in one or more series, issued, insured, or assumed by Improvement Area No. 2 of CFD No. 2007-01 related to Authorized Facilities.

“Buildable Lot” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD No. 2007-01” means City of Sacramento Natomas Meadows Community Facilities District No. 2007-01.

“City” means the City of Sacramento.

“City Council” means the City Council of the City of Sacramento.

“County” means the County of Sacramento.

“Designated Buildable Lot” means a Buildable Lot for which a building permit has not been issued by the City before June 1 of the previous Fiscal Year.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued prior to June 1 of the preceding Fiscal Year.

“Exempt Property” means:

- (1) Public Property, except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act;
- (2) Parcels that are owned by a public utility for an unoccupied facility;
- (3) Parcels that are subject to an easement or other instrument that precludes any other use on the Parcel; and
- (4) Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site, or other site that will ultimately be owned by a public agency.

“Expected Residential Lot Count” means 163 Buildable Lots of Residential Property in Tax Zone 5, 48 Buildable Lots of Residential Property in Tax Zone 6, and 49 Buildable Lots of Residential Property in Tax Zone 7 or, as determined by the Administrator, the number of Buildable Lots of Residential Property in the applicable Tax Zone based on the most recently recorded Final Map or modified Final Map.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that created Buildable Lots. The term “Final Map” shall not include (i) any large-lot subdivision map, Assessor’s Parcel Map, or subdivision map, or portion thereof, that does not create Buildable Lots or (ii) Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 2” means Improvement Area No. 2 of CFD No. 2007-1.

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

“Land Use Class” means any of the classes listed in Table 1 below.

“Maximum Special Tax” means the Maximum Special Tax determined in accordance with Section C.1.a below that can be levied in any Fiscal Year on any Assessor’s Parcel.

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

“Proportionately” means (a) for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property within Improvement Area No. 2 or, if necessary pursuant to Section D below, that the ratio of the increase from the Assigned Special Tax to the Backup Special Tax levy, for those Assessor’s Parcels where the Backup Special Tax is greater than the Assigned Special Tax, is equal for Assessor’s Parcels of Developed Property; and (b) for Undeveloped Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property within Improvement Area No. 2.

“Public Property” means any property within the boundaries of Improvement Area No. 2 of CFD No. 2007-01 that is owned by the City, federal government, State of California or other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned property that is otherwise constrained by public use and necessity through easement, lease, or license shall be considered Public Property.

“Residential Floor Area” has the same meaning as that defined for the School Mitigation Fee by California Government Code Section 65995 for "Accessible Space," which is "all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area.

“Resolution of Change” means the resolution adopted by the City Council on XXXX with respect to, among other matters, the alteration of the rate and method of apportionment of special tax for Improvement Area No. 2.

“Residential Property” means all Assessor’s Parcels of Taxable Property for which a building permit may be issued for purposes of constructing one or more residential dwelling units.

“Residential Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. A second unit (granny flat) that shares a Parcel with a single family detached unit shall not be considered a Residential Unit for purposes of levying the Special Tax.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes within Improvement Area No. 2 which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2007-01. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture or other legal document that sets forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes within Improvement Area No. 2, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Tax Zone” means a mutually exclusive geographic area, within which particular Special Tax rates may be levied within Improvement Area No. 2 pursuant to this RMA. Attachment 1 identifies the Tax Zones in Improvement Area No. 2 in CFD No. 2007-01.

“Tax Zone 5” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 5.

“Tax Zone 6” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 6.

“Tax Zone 7” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 7.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of Improvement Area No. 2 in CFD No. 2007-01 which are not exempt from the Special Tax pursuant to law or Section F below.

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

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel Numbers for all Parcels of Taxable Property within Improvement Area No. 2. The Administrator shall also determine: (i) within which Tax Zone each Assessor’s Parcel is located, (ii) whether each Assessor’s Parcel of Taxable Property is Developed Property or Undeveloped Property, and (iii) the Special Tax Requirement.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in Improvement Area No. 2 in CFD No. 2007-01 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly- created parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor’s Parcel classified as Developed Property in Improvement Area No. 2 shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax that may be levied in Fiscal Year 2013-14 for each Land Use Class in Improvement Area No. 2 is shown below in Table 1.

Table 1
IMPROVEMENT AREA NO. 2
CFD No. 2007-1
ASSIGNED SPECIAL TAX
DEVELOPED PROPERTY

Land Use Class	Description	Residential Floor Area	2013-14 Assigned Special Tax *
<i>Tax Zone 5</i>			
13	Residential Property	> 1,500 sq. ft.	\$1,350 per Residential Unit
14	Residential Property	≤ 1,500 sq. ft.	\$950 per Residential Unit
15	Non-Residential Property		\$22,828 per Acre
<i>Tax Zone 6</i>			
16	Residential Property	> 1,950 sq. ft.	\$1,600 per Residential Unit
17	Residential Property	≤ 1,950 sq. ft.	\$1,200 per Residential Unit
18	Non-Residential Property		\$23,885 per Acre
<i>Tax Zone 7</i>			
19	Residential Property	> 2,300 sq. ft.	\$1,750 per Residential Unit
20	Residential Property	≤ 2,300 sq. ft.	\$1,200 per Residential Unit
21	Non-Residential Property		\$16,548 per Acre

** On July 1, 2014 and each July 1 thereafter, the Assigned Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.*

c. Backup Special Tax

The Backup Special Tax shall be \$1,149 per Residential Unit for Residential Property in Tax Zone 5, \$1,400 per Residential Unit for Residential Property in Tax Zone 6, and \$1,647 per Residential Unit for Residential Property in Tax Zone 7.

On July 1, 2014 and each July 1 thereafter, the Backup Special Tax per Residential Unit within each of the Tax Zones shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

d. Mandatory Prepayment

If, in any Fiscal Year after the City has issued Bonds, a Final Map is proposed that results in a reduction in the Expected Residential Lot Count in the area affected by the Final Map, then the following steps shall be applied:

Step 1: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 2 in CFD No. 2007-01 based on the Expected Residential Lot Count prior to the proposed reduction;

Step 2: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area No. 2 in CFD No. 2007-01 assuming the Final Map is approved hereby reducing the Expected Residential Lot Count;

Step 3: If the revenues calculated in Step 2 are: (i) less than those calculated in Step 1 and (ii) not sufficient to maintain the greater of 110% coverage on the Bonds' debt service or the coverage required within the official bond documents, the landowner of the property affected by the Final Map must prepay an amount sufficient to retire a portion of the Bonds and maintain 110% coverage on the Bonds' debt service. The required prepayment shall be calculated using the formula set forth in Section G below. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map on which the land use change has occurred, the Administrator shall levy the amount of the mandatory prepayment on the Parcel(s) affected by the land use change or on any of the landowner's Parcel(s) of Undeveloped Property within that Final Map, and if this amount should, in any instance, exceed the Maximum Special Tax as defined herein, it shall nonetheless be authorized and shall not exceed the maximum special tax as that term is used in the Act.

If the revenues calculated in Step 2 are less than those calculated in Step 1, but the revenues calculated in Step 2 are sufficient to maintain the greater of 110% coverage on the Bond's debt service or the coverage required within the official bond documents, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property in Improvement Area No. 2 shall be \$22,828 per Acre for such property in Tax Zone 5, \$23,885 per Acre for such property in Tax Zone 6, and \$16,548 per Acre for such property in Tax Zone 7. On July 1, 2014 and each July 1 thereafter, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year for Improvement Area No. 2. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property in Improvement Area No. 2 up to 100% of the applicable Assigned Special Tax as shown in Table 1 above until the

amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the levy of the Special Tax on each Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Parcel;

Step 4: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section F below, up to 100% of the Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances shall the Special Tax levied on any Assessor's Parcel of Residential Property for which a building permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 2 in CFD No. 2007-01.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for Improvement Area No. 2 in CFD No. 2007-01 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and Authorized Facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2055-2056.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied in any Fiscal Year on Exempt Property or on Parcels in Improvement Area No. 2 that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section G below.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“Remaining Facilities Costs” means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued in Improvement Area No. 2 prior to the date of prepayment.

“Public Facilities Requirements” means either approximately \$4,555,000 in 2013 dollars, which shall increase on January 1, 2014, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News-Record or other comparable source if the Engineering News-Record is discontinued or otherwise not available, or such other number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by Improvement Area No. 2 in CFD No. 2007-01.

1. Prepayment in Full

The Special Tax obligation applicable to an Assessor's Parcel in Improvement Area No. 2 in CFD No. 2007-01 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. Prepayment is permitted only under the following condition; the City determines that the Prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds. Attachment 2 herein provides a sample prepayment calculation for a Parcel in Tax Zone 3. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1:** Compute the Assigned Special Tax and Backup Special Tax for the Assessor's Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. If this Section G is being applied to calculate a prepayment pursuant to Section C.1.d above, use, for purposes of this Step 1, the amount by which the expected Maximum Special Tax revenues have been reduced below the amount needed to maintain the greater of 110% coverage on the Bond's debt service or the coverage required within the official bond documents due to the change in land use that necessitated the prepayment.
- Step 2:** (a) Divide the Assigned Special Tax computed pursuant to Step 1 by the total estimated Assigned Special Taxes for Improvement Area No. 2 in CFD No. 2007-01 based on the Developed Property Special Tax which could be charged, using the rates for the current Fiscal Year, on all expected development through buildout of Improvement Area No. 2 in CFD No. 2007-01, excluding any Assessor's Parcels which have been prepaid, and
- (b) Divide the Backup Special Tax computed pursuant to Step 1 by the total estimated Backup Special Taxes at buildout of Improvement Area No. 2 in CFD No.2007-01, excluding any Assessor's Parcels which have been prepaid.
- Step 3:** Multiply the larger quotient computed pursuant to Step 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the ***"Bond Redemption Amount"***).
- Step 4:** Compute the current Remaining Facilities Costs (if any).
- Step 5:** Multiply the larger quotient computed pursuant to Step 2(a) or 2(b) by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (the ***"Remaining Facilities Amount"***).
- Step 6:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the ***"Redemption Premium"***).
- Step 7:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment will be received until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption

Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.

- Step 9:** Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (the ***“Defeasance Requirement”***).
- Step 10:** The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (the ***“Administrative Fees and Expenses”***).
- Step 11:** If, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Bond indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the ***“Reserve Fund Credit”***).
- Step 12:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the ***“Prepayment Amount”***).

Once a prepayment has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel or Buildable Lot for which a final inspection, or equivalent, has not yet been completed may be partially prepaid. However, such partial prepayment must be made in an amount equal to 25%, 50%, or 75% of the amount of the full prepayment calculated pursuant to Section G.1 above. In calculating the partial prepayment, the Administrator shall round up the amount required for the partial prepayment in order to redeem whole bonds, including any redemption premium. Prepayment is permitted only under the following condition; the City determines that the Prepayment does not jeopardize the ability to make timely payments of debt service on outstanding bonds.

Upon issuance of a certificate of occupancy for an Assessor's Parcel, no partial prepayments will be accepted for the Parcel. In addition, only one partial prepayment shall be permitted for an Assessor's Parcel or Buildable Lot within Improvement Area No. 2 in CFD No. 2007-01.

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the Administrator of the percentage of the Special Tax to be prepaid. The Administrator shall provide the owner with a statement of the amount required for the partial prepayment within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the Administrator shall (i) distribute the remitted prepayment funds according to Section G.1, and (ii) indicate in the records of CFD No. 2007-01 that there has been a partial prepayment of the Special Tax and that a portion

of the Special Tax with respect to such Assessor's Parcel, equal to the un-prepaid percentage of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

H. INTERPRETATION OF SPECIAL TAX FORMULA

Interpretations may be made by resolution of the City Council for purposes of clarifying any vagueness or ambiguity in the Special Tax rates, method of apportionment, classification of properties, and any definition applicable to Improvement Area No. 2 in CFD No. 2007-01. The City Council's interpretation will be conclusive.

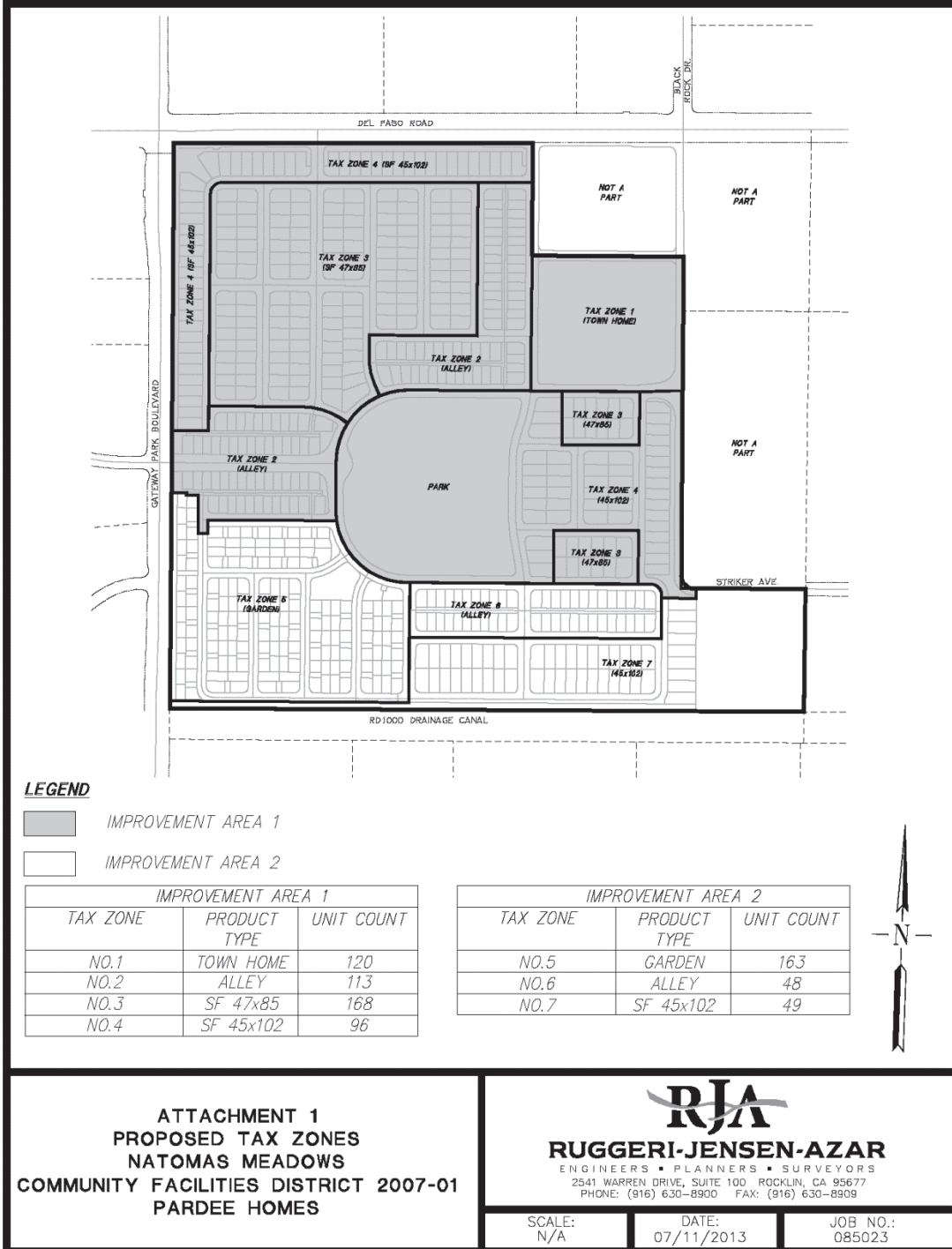
I. APPEALS

Any taxpayer who believes that the amount of the Special Tax assigned to a Parcel in Improvement Area No. 2 is in error may file a notice appealing the levy of the Special Tax with the City Treasurer's Office and the City Planning Department, Public Improvement Financing Division. City representatives shall then promptly review the appeal and, if necessary, meet with the taxpayer. If the City representatives determine that the Special Tax is in error, they shall recommend to the City Council that the Special Tax levy be corrected and, if applicable in any case, that a refund be granted. The City Council's decision on the recommendation will be final.

ATTACHMENT 1

IMPROVEMENT AREA NO. 2 CITY OF SACRAMENTO NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT No. 2007-01

IDENTIFICATION OF TAX ZONES

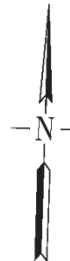


LEGEND

- IMPROVEMENT AREA 1
- IMPROVEMENT AREA 2

IMPROVEMENT AREA 1		
TAX ZONE	PRODUCT TYPE	UNIT COUNT
NO.1	TOWN HOME	120
NO.2	ALLEY	113
NO.3	SF 47x85	168
NO.4	SF 45x102	96

IMPROVEMENT AREA 2		
TAX ZONE	PRODUCT TYPE	UNIT COUNT
NO.5	GARDEN	163
NO.6	ALLEY	48
NO.7	SF 45x102	49



**ATTACHMENT 1
PROPOSED TAX ZONES
NATOMAS MEADOWS
COMMUNITY FACILITIES DISTRICT 2007-01
PARDEE HOMES**

RJA
RUGGERI-JENSEN-AZAR
ENGINEERS • PLANNERS • SURVEYORS
2541 WARREN DRIVE, SUITE 100 ROCKLIN, CA 95677
PHONE: (916) 630-8900 FAX: (916) 630-8909

SCALE:
N/A

DATE:
07/11/2013

JOB NO.:
085023

ATTACHMENT 2

City of Sacramento
 Natomas Meadows Community Facilities District No. 2007-1
 Sample Prepayment Calculation
 for One Buildable Lot in Tax Zone 2 in Improvement Area 2

<u>Assumptions</u>	<u>Source of Calculation</u>	
Assigned Special Tax on a 2,261 Sq. Ft. Residential Unit In Tax Zone 2	[Per Table 1 of RMA]	\$1,600
Backup Special Tax on a 2,261 Sq. Ft. Residential Unit In Tax Zone 2	[Per Exhibit 2-F]	\$1,400
Total Expected Special Tax Revenues In CFD		\$1,024,950
Total Expected Special Tax Revenues In Improvement Area B In CFD		\$333,500
Improvement Area B Percentage of Total Expected Special Tax Revenues In CFD		32.54%
Total Public Facilities Requirement for CFD	[Per definition]	\$14,000,000
Total Public Facilities Requirement for Improvement Area B	[32.54% of \$14,000,000]	\$4,555,344
Construction Proceeds from First Bond Issue		<u>\$3,910,438</u>
Total Remaining Facilities Costs		\$644,906
Redemption Premium %		3.0%
Reserve Fund Requirement %		10.0%
Outstanding Bonds	[Gross Bond Amount for Improvement Area B]	\$5,060,000

Sample Prepayment Calculation (2,261 Sq. Ft. Residential Unit in Tax Zone 3)

<u>Steps from Section G of RMA</u>	<u>Source of Calculation</u>		
Step 1 Assigned Special Tax per Unit Backup Special Tax Per Unit	[From above assumptions]	\$1,600	\$1,400
Step 2 Special Tax as a % of Total Expected Special Tax Revenues	[Step 1 divided by Total Expected Special Tax Revenues]	0.48%	0.42%
Step 3 "Bond Redemption Amount"	[Larger quotient from Step 2 multiplied by Outstanding Bonds]		\$24,276
Step 4 Total Remaining Facilities Costs	[From above]		\$644,906
Step 5 "Remaining Facilities Amount"	[Larger quotient from Step 2 multiplied by Step 4]		\$2,707
Step 6 "Redemption Premium"	[Step 3 multiplied by Redemption Premium %]		\$728
Step 7 Interest Accrued on Bond Redemption Amount	[Covered by Special Tax levied in the year of prepayment]		\$0
Step 8 Interest Earned on Bond Redemption Amount and Bond Premium	[None due to bonds being retired at next interest payment]		\$0
Step 9 "Defassance Requirement"	[Step 7 minus Step 8]		\$0
Step 10 "Administrative Fees and Expenses"	[Assumes \$500 per Residential Unit]		\$500
Step 11 "Reserve Fund Credit"	[Step 3 multiplied by Reserve Fund Requirement %]		(2,428)
Step 12 "Prepayment Amount"	[Sum of Steps 3, 5, 6, 9, and 10; minus Step 11]		\$25,784

Partial Prepayment	25%	\$6,446
Partial Prepayment	50%	\$12,892
Partial Prepayment	75%	\$19,338

|| Assumes bonds can be redeemed at the first interest payment date after the prepayment has been received.