



**Economic &
Planning Systems**

*Public Finance
Real Estate Economics
Regional Economics
Land Use Policy*

HEARING REPORT

HIGHLAND RESERVE NORTH CFD No. 1

Prepared for:

City of Roseville

Prepared by:

Economic & Planning Systems, Inc.

August 7, 1999

EPS #8198

SACRAMENTO

1750 Creekside Oaks Drive, Suite 290
Sacramento, CA 95833-3647
www.epsys.com

phone: 916-649-8010
fax: 916-649-2070



BERKELEY

phone: 510-841-9190
fax: 510-841-9208

DENVER

phone: 303-623-3557
fax: 303-623-9049

TABLE OF CONTENTS

		<u>Page</u>
I.	INTRODUCTION.....	1
	Background.....	1
	Purpose of the HRN CFD No. 1.....	1
	Organization of the Report.....	1
II.	LAND USE AND FACILITY COSTS.....	2
	Land Use.....	2
	CFD Facility Costs.....	2
III.	PROPOSED BOND ISSUE AND MAXIMUM ANNUAL SPECIAL TAX.....	7
	Proposed Bond Issues/Reimbursements.....	7
	Bond Authorization.....	7
	Calculation of Maximum Annual Cost.....	7
	Maximum Annual Special Taxes.....	9
IV.	STRUCTURE OF THE PROPOSED CFD.....	11
	Description of the CFD.....	11
	Determination of Parcels Subject to Special Tax.....	11
	Termination of the Special Tax.....	11
	Assignment of Maximum Special Tax.....	11
	Setting the Annual Special Tax Rate for Taxable Parcels.....	12
	Prepayment of the Special Tax Obligation.....	12
	Manner of Collection.....	13

LIST OF FIGURES

	<u>Page</u>
Figure 1 Land Use Summary	5
Figure 2 Facility Costs to Funded through Mello-Roos CFD	6
Figure 3 Estimated Mello-Roos Bond Sizing and Maximum Annual Costs	8
Figure 4 Maximum Special Taxes by Specific Plan Parcel.....	10
Map 1 Land Use Map	4

I. INTRODUCTION

BACKGROUND

The Highland Reserve North (HRN) Specific Plan comprises the area included in the City of Roseville's Highland Reserve North Community Facilities District No. 1 (CFD No. 1). A Mello-Roos Community Facilities District has been proposed to fund public infrastructure costs necessary for the development of the project. The HRN Specific Plan was approved by the City in June of 1997. A Development Agreement between the City and Richland Properties was also approved on June 23, 1997. A petition to form the CFD was submitted in April of 1999 and the Resolution of Intention (ROI) was passed by the City Council on May 12, 1999. The ROI was revised and subsequently passed by the City on June 23, 1999. The Resolution of Formation (ROF), public hearing on the CFD formation, and election are scheduled for August 18, 1999. This hearing report has been prepared for the ROF and public hearing process as required under the Mello-Roos CFD Act.

PURPOSE OF THE HRN CFD NO. 1

The CFD is being formed to sell bonds to fund the on-site public infrastructure required for the development of the HRN project in the adopted Development Agreement. In addition, the CFD will fund public infrastructure, including collector roads and the K-6 school site, needed for the development but not required under the Development Agreement.

ORGANIZATION OF THE REPORT

This report discusses the land included in CFD No. 1, the facilities to be constructed or acquired, the bond issuance assumptions, the structure of the CFD, and the calculation of the maximum special tax rates.

Chapter II describes the CFD land uses and authorized public facilities. **Chapter III** discusses the proposed bond issue and maximum special taxes. **Chapter IV** discusses the structure of the proposed CFD and the Rate and Method of Apportionment of Special Tax (also known as the "Tax Formula").

Three exhibits are attached to this report. **Exhibit A** is the Rate, Method of Apportionment, and Manner of Collection of Special Tax. **Exhibit B** provides a list of authorized facilities and costs the CFD may finance, and **Exhibit C** includes the CFD boundary maps.

II. LAND USE AND FACILITY COSTS

LAND USE

All references to the HRN project refer to the areas included within CFD No. 1 as shown on **Map 1**. The boundaries of the HRN project are coterminous with the boundaries of the proposed CFD. The HRN project is a mixed-use development project containing 1,770 single- and multi-family residential units and over 150 acres of retail commercial lands. In addition, the project contains an elementary school, three neighborhood parks, and a citywide park. **Figure 1** shows the land uses approved within the HRN Specific Plan and included in the CFD along with the estimated units and acreage for each land use category.

CFD FACILITY COSTS

Bond proceeds from CFD No. 1 will be used to fund development-agreement required infrastructure necessary to provide road, sewer, water, and storm drainage facilities for the proposed project. In addition, the CFD includes the north collector roadway connecting Pleasant Grove Boulevard and Fairway Drive and the purchase of the school site. The total cost of these improvements is approximately \$27.3 million. A list of facilities and estimated cost are shown in **Figure 2**.

BACKBONE INFRASTRUCTURE

The following improvements represent the primary facilities that are authorized to be constructed with Mello-Roos CFD bond proceeds from CFD No. 1. These are the facility requirements needed to serve the project. Authorized facilities to be constructed or acquired with proceeds from CFD No. 1 include:

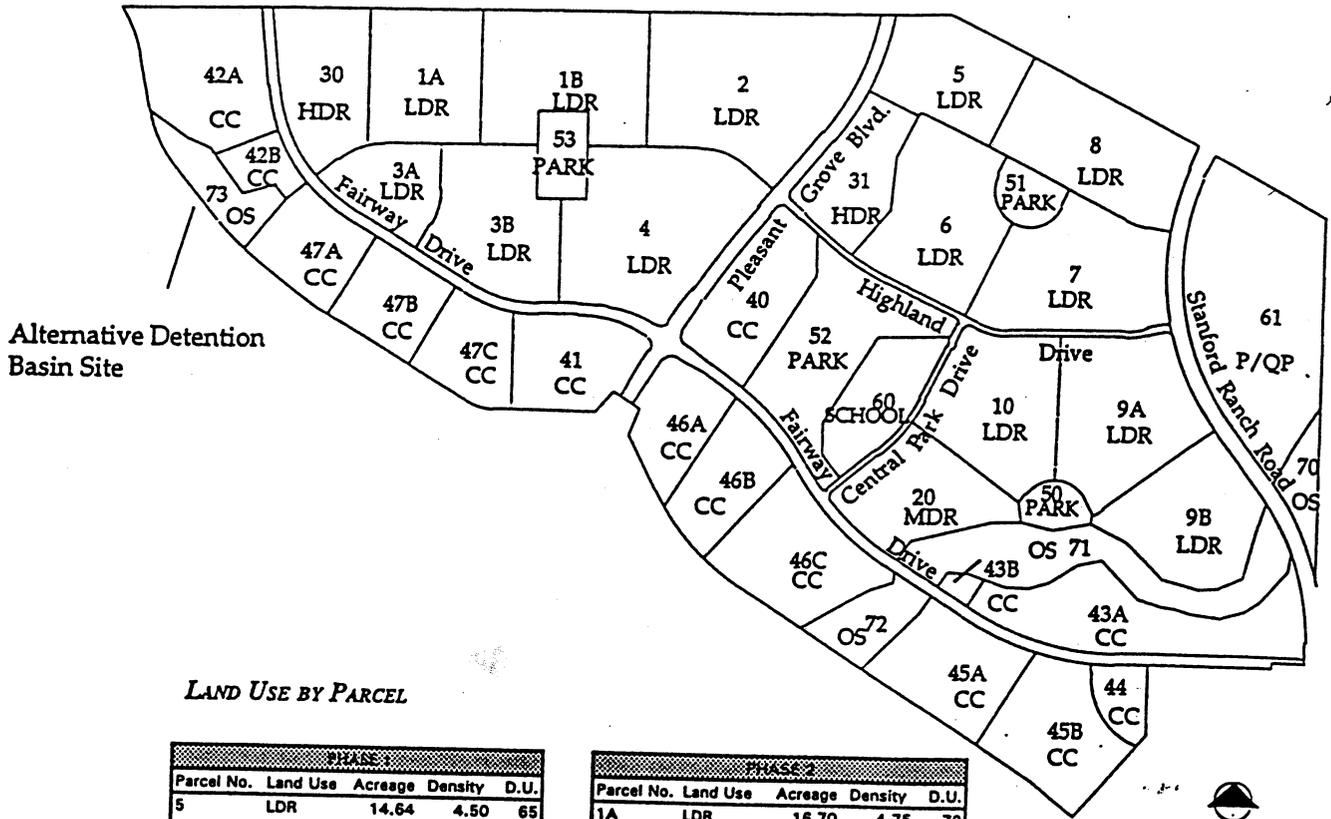
- Stanford Ranch Road (widening)
- Fairway Drive
- Central Park Drive
- Highland Drive
- Pleasant Grove Boulevard
- Pleasant Grove Interchange contribution
- Wastewater System Improvements;
- Water System Improvements;
- Drainage System Improvements;
- School Site Purchase; and
- Park Improvements.

OTHER EXPENSES

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation thereof and environmental remediation related thereto); utility relocation and demolition costs incident to the construction of the public facilities, cost associated with the creation of the Mello-Roos District; issuance of the bonds thereof; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry out the authorized purposes of the District; and any other expenses incidental to the construction, completion, and inspection of the facilities.

Map 1

LAND USE MAP



LAND USE BY PARCEL

PHASE 1				
Parcel No.	Land Use	Acreage	Density	D.U.
5	LDR	14.64	4.50	65
6	LDR	20.05	4.20	83
7	LDR	22.27	4.40	96
8	LDR	20.65	4.60	94
9A	LDR	21.50	4.85	104
9B	LDR	17.38	2.90	50
10	LDR	19.40	4.40	85
Sub-Total		135.89		577
20	MDR	14.63	8.00	117
31	HDR	11.77	18.70	220
Total Residential		162.29		914
40	CC	14.17		
43A	CC	20.60		
43B	CC	1.00		
44	CC	3.96		
45A	CC	14.01		
45B	CC	15.43		
46A	CC	9.57		
46B	CC	10.78		
46C	CC	16.43		
Sub-Total		105.95		
50	Park	3.14		
51	Park	3.78		
52	Park	20.50		
Sub-Total		27.42		
60	School	10.00		
61	P/OP	36.55		
Sub-Total		46.55		
70	OS	4.05		
71	OS	18.54		
72	OS	6.20		
Sub-Total		28.79		
Pleasant Grove Blvd.		2.15		
Fairway Dr.		9.06		
Highland Dr.		2.89		
Central Park Dr.		1.47		
Sub-Total		15.57		
Total		386.57		

PHASE 2				
Parcel No.	Land Use	Acreage	Density	D.U.
1A	LDR	16.70	4.75	79
1B	LDR	22.75	4.75	108
2	LDR	31.77	4.75	151
3A	LDR	9.41	4.75	44
3B	LDR	18.90	4.75	89
4	LDR	28.54	4.75	135
Sub-Total		128.07		606
30	HDR	13.90	18	250
Total Residential		141.97		856
41	CC	12.39		
42A	CC	18.26		
42B	CC	3.75		
47A	CC	9.44		
47B	CC	9.50		
47C	CC	9.38		
Sub-Total		62.72		
53	Park	4.73		
Sub-Total		4.73		
73	OS	6.42		
Sub-Total		6.42		
Pleasant Grove Blvd.		5.51		
Fairway Dr.		7.12		
Sub-Total		12.63		
Total		228.47		
Total Site Acres		615.04 ±		

Figure 1
Highland Reserve North CFD No. 1
Land Use Summary

Land Use	Acres	Units
Residential		
Single Family Low Density	264.0	1,183
Single Family Medium Density	14.6	117
Subtotal Single Family	278.6	1,300
High Density	25.7	470
Total Residential	304.3	1,770
Non-Residential		
Neighborhood Commercial	14.17	
Community Commercial	154.5	
Subtotal Non-Residential	168.7	
Public/Open Space:		
Park	32.2	
School	10.0	
Public/Quasi-Public	36.6	
Open Space	35.2	
Roadways	28.2	
Subtotal Public/Open Space	142.1	
TOTAL	615.0	1,770
Total Developable Acres	472.9	
- as a Percent of Total Acres	77%	

"land_use"

Figure 2
Highland Reserve North CFD No. 1
Facility Costs to be Funded through
Mello-Roos CFD Bonds

Facilities	Total Cost
<u>Backbone Infrastructure</u>	
Roadways (including water, sewer, drainage, dry utilities, and median landscaping)	
Stanford Ranch Road	\$925,000
Fairway Drive-2, Phase A	\$2,500,000
Fairway Drive East	\$3,000,000
Fairway Drive West	\$3,750,000
Central Park Drive	\$850,000
Highland Drive East	\$1,600,000
Highland Drive West	\$2,600,000
Pleasant Grove Blvd	\$2,600,000
Total Roadways	\$17,825,000
Pleasant Grove Interchange Contribution	\$2,500,000
Roadway Bench Widening and Median Rib/Backfill	\$350,000
Off-Site Water	\$375,000
PRV's/Meters	\$430,000
Detention Basin at Blue Oaks	\$325,000
NPDES Basins	\$175,000
Off-Site Joint Trench, Electric, and Gas	\$1,140,400
Plan Check/Inspection	\$750,000
Project Managment (4% of construction costs)	\$827,000
Engineering & Staking	\$1,200,000
General Operation	\$150,000
Parks	\$250,000
Reimbursement to City	\$250,000
Total Backbone Infrastructure	\$26,547,400
<u>Additional Public Infrastructure</u>	
School Site Purchase	\$1,000,000
TOTAL FACILITIES COST	\$27,547,400

"cost_sum"

Source: Mackay & Somps, June 9, 1999; & EPS

III. PROPOSED BOND ISSUE AND MAXIMUM ANNUAL SPECIAL TAX

PROPOSED BOND ISSUES/REIMBURSEMENTS

Mello-Roos CFD bonds will fund public facility costs related to the HRN development project. The bond size will be dependent on the market value of the properties as determined by the appraisal. If the market value is sufficient to support all bonds, then one bond issue of approximately \$32.7 million will occur, which is estimated to net approximately \$27.3 million in bond proceeds. If the market value is insufficient to support all bonds being issued, a smaller bond amount may be issued to fund all Development Agreement required facilities. The remaining bonds, to support remaining backbone facilities, will be issued when land values support such a bond sale. If land values required to sell a second bond issue are not achieved five years from the date of the first bond sale, the second bond sale may be abandoned and the remaining facilities will be subject to reimbursement from the CFD special tax collections.

Bond issuance costs include professional services (bond counsel, special tax consultant, underwriters discount, etc.), twelve months capitalized interest, and a bond reserve fund equal to one year's debt service. The actual bond issue and issuance costs will reflect the market conditions at the time the bonds are sold.

BOND AUTHORIZATION

The bond authorization for CFD No. 1 is \$35 million. This amount represents the maximum amount of bonds that can be issued by the CFD. The initial bond sale of \$32.7 and anticipated bond proceeds amount of \$27.3 million is based on a 25-year bond with a 6.52 percent average all-in interest cost. Additional bond proceeds could be generated if bond market conditions are more favorable than currently assumed. Estimated bond proceeds and issuance costs are shown in **Figure 3**.

CALCULATION OF MAXIMUM ANNUAL COST

Payments of interest and principal plus additional costs for the proposed bond issues will be funded through the collection of special taxes levied against taxable parcels within the CFD. Annual costs funded by special tax collections consist of several components. The first component is debt service on the bonds, which is the annual payment of interest and principal to bond holders. The second component is the annual cost of administering the CFD. Additional costs to replenish the bond reserve fund are also included in CFD annual costs. A fourth cost component provides for tax delinquencies. Provisions for delinquencies are necessary, as some taxpayers may not pay their tax bills promptly. In addition, the

Figure 3
Highland Reserve North CFD No. 1
Estimated Mello-Roos Bond Sizing and Maximum Debt Service

Estimated Bonds	<i>Assumptions</i>	Costs
Bond Proceeds		\$27,300,000
Capitalized Interest	12 months	\$2,016,803
Bond Reserve Fund	8.1%	\$2,633,560
Issuance Cost	2.3%	\$740,425
Additional Proceeds		\$4,212
Total Bond Size		\$32,695,000
Estimated Gross Debt Service [1]		\$2,633,560

[1] Assumes 25-year bonds at 6.52% average all-in interest rate.

Source: Stone & Youngberg

developer may be reimbursed for any out-of-pocket expenditures for authorized facilities not funded through CFD bond proceeds if bonds are not sold to fund all CFD facility costs.

The maximum annual cost for the CFD is estimated to be \$2,942,937. As shown in **Figure 3**, the estimated debt service component of this amount is estimated to be \$2,633,560. This leaves \$309,377 to cover City administrative costs and delinquency coverage. The debt service estimate assumes 25-year bonds issued at 6.52 percent average all-in interest cost. If interest rates are higher at the time of the issue, fewer bonds could be issued resulting in a lower amount of bond proceeds.

The Tax Formula is designed to provide revenue sufficient to cover the maximum annual cost in any year in which bonds are outstanding. In years when less than maximum revenues are needed, the total tax levy will be less than the maximum authorized rates.

MAXIMUM ANNUAL SPECIAL TAXES

Figure 4 shows the maximum annual special taxes for each original parcel and how the maximum annual special taxes per parcel were calculated. Special taxes are levied on a per parcel basis and are not escalated. In the case of residential parcels, the per unit annual special tax is multiplied times the number of units assigned to each original parcel.

The annual special tax per parcel is based on a \$1,308 per unit for low-density residential parcels, \$1,080 per unit for medium-density residential parcels, and \$504 per unit for low-density residential units. Because the maximum special taxes are set on a per-parcel basis, the actual tax rate per unit will vary if the actual number of units developed on an original parcel is different than anticipated. For non-residential parcels, the annual special tax is \$6,600 per acre for all parcels except parcel 45A. The special tax for parcel 45A is set at \$826 per acre and is reflective of additional facility funding carried by this parcel.

Figure 4
Highland Reserve North CFD No. 1
Maximum Special Taxes by Specific Plan Parcel

Parcel	Land Use	Acres	Units	Maximum Annual Special Tax		
				Per Month	Annual	Total Annual
1A	LDR	16.70	79	\$109 /unit	\$1,308 /unit	\$103,332
1B	LDR	22.75	108	\$109 /unit	\$1,308 /unit	\$141,264
2	LDR	31.77	151	\$109 /unit	\$1,308 /unit	\$197,508
3A	LDR	9.41	44	\$109 /unit	\$1,308 /unit	\$57,552
3B	LDR	18.90	89	\$109 /unit	\$1,308 /unit	\$116,412
4	LDR	28.54	135	\$109 /unit	\$1,308 /unit	\$176,580
5	LDR	14.64	65	\$109 /unit	\$1,308 /unit	\$85,020
6	LDR	20.05	83	\$109 /unit	\$1,308 /unit	\$108,564
7	LDR	22.27	96	\$109 /unit	\$1,308 /unit	\$125,568
8	LDR	20.65	94	\$109 /unit	\$1,308 /unit	\$122,952
9A	LDR	21.50	104	\$109 /unit	\$1,308 /unit	\$136,032
9B	LDR	17.38	50	\$109 /unit	\$1,308 /unit	\$65,400
10	LDR	19.40	85	\$109 /unit	\$1,308 /unit	\$111,180
20	MDR	14.63	117	\$90 /unit	\$1,080 /unit	\$126,360
30	HDR	13.90	250	\$42 /unit	\$504 /unit	\$126,000
31	HDR	11.70	220	\$42 /unit	\$504 /unit	\$110,880
40	CC	14.17		\$550 /acre	\$6,600 /acre	\$93,522
41	CC	12.39		\$550 /acre	\$6,600 /acre	\$81,774
42A	CC	18.26		\$550 /acre	\$6,600 /acre	\$120,516
42B	CC	3.75		\$550 /acre	\$6,600 /acre	\$24,750
43A	CC	20.60		\$550 /acre	\$6,600 /acre	\$135,960
43B	CC	1.00		\$550 /acre	\$6,600 /acre	\$6,600
44	CC	3.96		\$550 /acre	\$6,600 /acre	\$26,136
45A	CC	14.01		\$69 /acre	\$826 /acre	\$11,577
45B	CC	15.43		\$550 /acre	\$6,600 /acre	\$101,838
46A	CC	9.57		\$550 /acre	\$6,600 /acre	\$63,162
46B	CC	10.78		\$550 /acre	\$6,600 /acre	\$71,148
46C	CC	16.43		\$550 /acre	\$6,600 /acre	\$108,438
47A	CC	9.44		\$550 /acre	\$6,600 /acre	\$62,304
47B	CC	9.50		\$550 /acre	\$6,600 /acre	\$62,700
47C	CC	9.38		\$550 /acre	\$6,600 /acre	\$61,908
Total		472.86	1,770			\$2,942,937

"land_tax"

IV. STRUCTURE OF THE PROPOSED CFD

DESCRIPTION OF THE CFD

Taxable parcels within CFD No. 1 will pay special taxes based upon the Rate, Method of Apportionment, and Manner of Collection of Special Tax (the "Tax Formula"). Exhibits A, B, and C contain the formation documents for CFD No. 1. Exhibit A contains the Tax Formula, Exhibit B are the authorized CFD facilities, and Exhibit C shows the CFD boundaries. The purpose of the CFD is to provide funding for the construction of facilities managed by the City, or the acquisition of all or a portion of the eligible CFD facilities from the developer.

DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

The City shall prepare a list of the parcels subject to the special tax using the most current City records on building permits, and records of the County Assessor. The City shall identify all taxable parcels from a list of all parcels within the CFD by excluding tax-exempt parcels and parcels that have prepaid their special tax obligation as described in Section 7 of the Special Tax Formula.

TERMINATION OF THE SPECIAL TAX

The special tax will be levied and collected to pay annual costs during the time that there are outstanding CFD bonds. However, in no event shall the special tax be levied after fiscal year 2034-2035.

ASSIGNMENT OF MAXIMUM SPECIAL TAX

Figure 4 shows the maximum special tax rate for original parcels within the CFD as of its formation. Section 5 of the Special Tax Formula describes the method for assigning the maximum annual special tax to parcels within the CFD. The following section summarizes these procedures.

Each year the administrator uses the definitions contained in the Special Tax Formula to classify each parcel as tax-exempt or taxable. Each taxable parcel is further classified as an original parcel, a successor parcel, or a prepayment parcel. After classifying the parcels, the administrator calculates the maximum special tax for each parcel. The Special Tax Formula assigns the maximum special tax to all original parcels based on the maximum special tax shown on Figure 4. The Special Tax Formula assigns the maximum special tax to successor parcels by assigning the maximum special tax from the previous original or successor parcel to each new taxable successor parcel based on its share land square footage to the land square footage of all taxable successor parcels. In the case of residential successor parcels

subsequent to a final map recording, the maximum special tax is assigned based on the maximum special tax assigned to the original or successor parcel divided by the number of units on the parcel.

Other provisions of the Special Tax Formula allow for calculation of the maximum special tax for taxable parcels acquired by a public agency or conversion of tax-exempt parcels to taxable status and adjustment to the maximum special tax assigned to a residential parcel in order to reflect a change in the number of original residential units resulting from a transfer from one taxable parcel to another taxable parcel.

SETTING THE ANNUAL SPECIAL TAX RATE FOR TAXABLE PARCELS

After computing the maximum special tax for each parcel, the administrator will then determine the levy for each taxable parcel. To determine the annual levy, the administrator will use the process presented in Section 6 of the Special Tax Formula. This process is summarized as follows:

- First, the administrator determines the annual cost for the fiscal year as defined in the Tax Formula.
- Second, the administrator computes 100 percent of the maximum special tax revenue for all taxable parcels.
- If the maximum special tax revenue from taxable parcels exceeds the annual cost, the administrator shall decrease the special tax levy proportionately for each taxable parcel until the total special tax revenue equals the annual costs.

PREPAYMENT OF THE SPECIAL TAX OBLIGATION

Landowners may permanently satisfy all or a portion of the special tax obligation for one or more parcels by cash settlement with the City as permitted under Government Code Section 53344. By exercising the right to a full prepayment, a landowner can eliminate the future annual special tax liability for one or more parcels.

Prepayment is permitted only under the following conditions:

- The parcel is a whole original parcel greater than one acre or a successor parcel greater than ten acres.
- The City determines that the prepayment of the special tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.

- Any landowner prepaying the special tax obligation on a parcel must pay any and all delinquent special taxes and penalties on that parcel prior to prepayment.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full prepayment or partial prepayment. If the landowner intends to execute a partial prepayment, the landowner shall further notify the City of the dollar amount of the intended prepayment. In no event shall a partial prepayment be for less than twenty-five percent of the full prepayment amount.

The prepayment amount shall be established by the procedures described in Section 7 of the Special Tax Formula. The total prepayment amount will include the parcel's proportionate share of all outstanding bonds less any reserve fund share, plus any additional administrative and financing costs necessary to redeem bonds and calculate the prepayment amount.

MANNER OF COLLECTION

The special tax will be collected in the same manner and at the same time as ad valorem property taxes, unless the City decides to directly bill for the special taxes in another manner, as allowed in the Special Tax Formula.

EXHIBITS:

EXHIBIT A – RATE, METHOD OF APPORTIONMENT, AND
MANNER OF COLLECTION OF SPECIAL TAX

EXHIBIT B – LIST OF AUTHORIZED FACILITIES

EXHIBIT C – BOUNDARY MAP

The logo consists of the letters 'EPS' in a bold, white, serif font, centered within a dark gray square.

Economic &
Planning Systems

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

EXHIBIT A:

RATE, METHOD OF APPORTIONMENT, AND MANNER OF COLLECTION OF SPECIAL TAX

EXHIBIT A

CITY OF ROSEVILLE **Highland Reserve North** COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT SPECIAL TAX

1. BASIS OF SPECIAL TAX LEVY

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the Highland Reserve North Community Facilities District No. 1 (the "CFD") of the City of Roseville (the "City") shall be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate, as described below.

2. DEFINITIONS

"**Act**" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

"**Administrative Expenses**" means the costs incurred by the City to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants and corporate bond paying and/or fiscal agents or trustees for bonds and the costs of collecting installments of the Special Taxes upon the general tax rolls; preparation of required reports, and any other costs required to administer the CFD as determined by the Finance Director of the City of Roseville.

"**Annual Costs**" means for each Fiscal Year for the CFD, the total of 1) Debt Service; 2) Administrative Expenses and County fees; 3) any amounts needed to replenish bond reserve funds and to pay for delinquencies in Special Taxes for the previous Fiscal Year or anticipated for the current year, and 4) any pay-as-you-go expenditures for authorized improvements.

"**Annual Tax Revenues**" means the amount of Special Taxes required each Fiscal Year to pay the Annual Costs.

"**Anticipated Construction Proceeds**" means \$27,300,000 as adjusted annually after the Base Year in accordance with the Engineering News Record Building Cost Index.

"**Benefit Share**" means the Maximum Special Tax for a Parcel divided by the Maximum CFD Revenue.

"**Bond Indenture**" means the indenture or other financing document pursuant to which the bonds are issued.

"**Bond Share**" means the Benefit Share for a Parcel multiplied by the applicable total of Outstanding Bonds.

"**Bond Year**" means the Twelve (12)-month period ending on the second bond payment date of each calendar year as defined in the Bond Indenture.

"**CFD**" means the Highland Reserve North Community Facilities District No. 1 of the City of Roseville.

"**City**" means the City of Roseville, California.

"**Council**" means the City Council of the City of Roseville as the legislative body for the CFD under the Act.

"**County**" means the County of Placer, California.

"**County Assessor's Parcel**" means the parcel number as recorded by the County Assessor on the equalized tax roll.

"**Debt Service**" means the total amount of bond principal, interest, and scheduled sinking fund payments for a the Bond Year commencing in such Fiscal Year.

"**Final Subdivision Map**" means a recorded map designating the final Parcel splits for individual single-family residential Parcels. A Large-Lot Subdivision Map for single-family residentially zoned land is not considered a Final Subdivision Map for purposes of levying the Special Tax.

"**Finance Director**" means the Finance Director for the City of Roseville or his or her designee.

"**Fiscal Year**" means the period starting July 1 and ending the following June 30.

"**Full Prepayment**" means the Prepayment of a Parcel's entire Maximum Special Tax obligation prior to the termination of Special Taxes for the CFD as a whole.

"**HRN**" means the Highland Reserve North Specific Plan.

"**Large-Lot Subdivision Map**" means a recorded map delineating Parcels by land use and providing the ability to transfer ownership of the delineated Parcels.

"**Maximum Special Tax**" means the greatest amount of Special Tax that can be levied against a Taxable Parcel in any Fiscal Year. Each time a Taxable Parcel is subdivided, the Maximum Special Tax will be reassigned to the Successor Parcels.

"**Maximum CFD Revenue**" means the sum of the Maximum Special Tax for all of the Taxable Parcels in the CFD.

"**Original Parcel**" means a Specific Plan Parcel as it existed at the time of the adoption of the Resolution of Formation by the Council, as shown on **Attachment 1**.

"**Outstanding Bonds**" means bonds that have been issued by the CFD and not retired or defeased.

"**Parcel**" means any County Assessor's Parcel in the CFD based on the equalized tax rolls of the County.

"**Partial Prepayment**" means a Prepayment for less than the full portion of the Special Tax obligation for a Parcel.

"**Partial Prepayment Factor**" means a factor by which Maximum Special Tax for a Partial Prepayment Parcel is multiplied to calculate an adjusted Maximum Special Tax. The Partial Prepayment Factor for a Partial Prepayment Parcel shall be calculated according to the steps described under Section 7 herein.

"**Partial Prepayment Parcel**" means a Parcel that has had a portion of its Special Tax obligation satisfied with a Prepayment under Section 7 hereof. Such Parcels shall be liable for a Special Tax Levy based on an adjusted Maximum Special Tax. If one or more Successor Parcels are created through the Subdivision of a Partial Prepayment Parcel, each of these Successor Parcels shall also be a Partial Prepayment Parcel. The Partial Prepayment Factor that applies to the Partial Prepayment Parcel prior to Subdivision shall apply to these Successor Parcels.

"**Prepayment**" means the full or partial payment of Maximum Special Taxes prior to the termination of Special Taxes for the CFD as a whole.

"**Public Parcel**" means any Parcel that is (1) publicly owned, and (2) is normally exempt from the levy of general **ad valorem** property taxes under California law, including public streets; schools; parks; and public drainage ways, public landscaping, greenbelts, and public open space. These Public Parcels -- so identified at the formation of CFD -- are exempt from the levy of Special Taxes.

"**PWD**" means the Public Works Director for the City of Roseville or his or her designee.

"**Reserve Fund**" means the total amount held in the bond reserve funds by the City for all Outstanding Bonds.

"**Reserve Fund Share**" means the amount on deposit in the Reserve Fund, but in any event not to exceed the required bond reserve as defined in the Bond Indenture, multiplied by the Benefit Share for a given Parcel.

"**Special Tax(es)**" mean(s) any tax levy under the Act in the CFD and as set forth in the definition of Annual Costs and Section 6 herein.

"**Specific Plan Parcel**" means the planned Parcels by land use in the HRN. The Original Parcels are all Specific Plan Parcels at the formation of the CFD as detailed on **Attachment 1** and shown on **Attachment 2**.

"**Subdivision**" means a group of Successor Parcels created from an Original Parcel through the Subdivision Map Act process.

"**Successor Parcel**" means a Parcel created by Subdivision, lot line adjustment, or parcel map from an Original Parcel.

"**Tax Collection Schedule**" means the document prepared by the City for the County Auditor to use in levying and collecting the Special Taxes each Fiscal Year.

"**Taxable Parcel**" means any Parcel that is not exempt from Special Taxes as defined below.

"**Tax-Exempt Parcel**" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (1) Public Parcels identified at the formation of the CFD or created by Subdivision of an Original or Successor Parcel, and (2) any Parcel that has prepaid its Special Taxes under Section 7 hereof. A Taxable Parcel acquired by a public agency after formation of the CFD will not be classified as a Tax-Exempt Parcel.

"**Total Facility Cost Share**" means the Benefit Share for a Parcel multiplied by the Anticipated Construction Proceeds for the CFD.

3. DETERMINATION OF PARCELS SUBJECT TO SPECIAL TAX

The Finance Director shall prepare a list of the Parcels subject to the Special Tax using the records of the County Assessor and the City's own records. The City shall identify the Taxable Parcels from a list of all Parcels within the CFD using the procedure described below.

- 1) Exclude all Tax-Exempt Parcels.
- 2) The remaining Parcels are subject to the Special Tax according to the formula detailed below.

It shall be the burden of the taxpayer to timely correct any errors in the determination of the Parcels subject to the Special Tax and their Special Tax assignments.

4. TERMINATION OF THE SPECIAL TAX

The Special Tax will be levied for as long as is needed to pay the principal and interest on debt incurred in order to construct the authorized facilities and to pay the Annual Costs. However, in no event shall the Special Tax be levied after Fiscal Year 2034-2035.

When all Annual Costs incurred by the CFD have been paid, the Special Tax shall cease to be levied. The Council shall direct the City Clerk to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished. The Notice of Cessation of Special Tax shall additionally identify the book and page of the Book of Maps of Assessment and Community Facilities Districts where the map of the boundaries of the CFD is recorded.

5. ASSIGNMENT OF MAXIMUM SPECIAL TAXES

By August 1 of each Fiscal Year, using the Definitions from Section 2 and the Maximum Special Tax rates from **Attachment 1**, the Finance Director shall assign the Maximum Special Taxes to Parcels as follows:

1. Each Parcel to be classified as a Tax-Exempt Parcel or a Taxable Parcel;
2. Each Taxable Parcel to be classified as an Original Parcel, a Successor Parcel, or a Partial Prepayment Parcel.

The assignment of the Maximum Special Tax to Taxable Parcels is as follows:

- a) Prior to Recording Large-Lot Subdivision Map – The Maximum Special Tax for a Parcel that includes more than one Specific Plan Parcel shall be determined by summing the Maximum Special Tax for each Specific Plan Parcel included in the Parcel. If portions of a Specific Plan Parcel are included in more than one Parcel, the Maximum Special Tax for the Specific Plan Parcel shall be divided between the Parcel's it is included in proportional to the land area included in each Parcel.
- b) Partial Prepayment Parcels — the Maximum Special Tax for all Partial Prepayment Parcels is assigned by multiplying the Maximum Special Tax from **Attachment 1**, or as otherwise calculated for a Successor Parcel, by the Partial Prepayment Factor for that Parcel.
- c) Original Parcel - the Maximum Special Tax for each Original Parcel is as shown on **Attachment 1**.
- d) Successor Parcel - the Maximum Special Tax for each Successor Parcel is determined as follows:
 - (i) If the Successor Parcel is the result of a single-family residential or individually-owned residential condominium Parcel Subdivision, divide the Maximum Special Tax assigned to the Original Parcel or Successor Parcel, as calculated under (c) above or (d)(ii) below, by the number of single-family residential Parcels or residential condominium units. The result of this calculation is the Maximum Special Tax for each single-family residential or residential condominium Successor Parcel within the Subdivision.
 - (ii) If the Successor Parcel is the result of a non-residential or multi-family Subdivision, or a single-family residential Subdivision that is not creating final residential lots:
 - calculate the percentage of the taxable Successor Parcel's square footage to the total square footage for all taxable Successor Parcels of that Original or Successor Parcel; then,

- multiply this percentage by the Maximum Special Tax assigned to the previous Original Parcel or Successor Parcel. The result of this calculation is the Maximum Special Tax.
- e) Residential Unit/Maximum Special Tax Transfer - the Maximum Special Tax assigned to a residential Parcel under (a), (b), (c), or (d) above, may be adjusted to reflect a change in the number of original residential units (as shown in **Attachment 1**) resulting from a transfer of units from one Taxable Parcel to another Taxable Parcel in the following manner:
- (i) Calculate the existing Maximum Special Tax per unit by dividing the Maximum Special Tax for the Parcel by the number of units assigned to that Parcel;
 - (ii) Calculate the total Maximum Special Tax being transferred by multiplying the number of units being transferred by the calculation in (i) above. Add the total Maximum Special Tax and number units being transferred to the Parcel(s) receiving the transferred units and Maximum Special Tax.
 - (iii) Subtract the total Maximum Special Tax and the number of residential units being transferred, as identified in step (ii) above, from the Parcel transferring the Maximum Special Tax and the residential units.

Such unit and Special Tax transfer will be allowed under the following conditions:

- (i) any decrease in one Parcel's Maximum Special Tax assignment is offset by an equal increase in the Maximum Special Tax of other Parcels to ensure that there is no net loss in the total Maximum Special Taxes; and,
 - (ii) all adjustments are agreed to in writing by the affected property owners and the Finance Director.
- f) If the assignment of Maximum Special Taxes to Successor Parcels under step d) above or through a transfer of Maximum Special Tax in step e) above results in unequal Maximum Special Taxes between residential Subdivisions, the revised Maximum Special Taxes may be adjusted further to accommodate a uniform Special Tax between adjacent subdivisions. Such adjustments shall also be subject to the transfer conditions under step e) above.
- g) Conversion of a Tax-Exempt Parcel to a Taxable Parcel - if a parcel designated as a Public Parcel is not needed for public use and is converted to a private use, it shall become subject to the Special Tax. The Maximum Special Tax for each such Parcel shall be set equal to the average Maximum Special Tax per unit or acre for Parcels with similar land use designations, as determined by the Finance Director.
- h) Taxable Parcels Acquired by a Public Agency – A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to

Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel within the CFD is relocated to a Taxable Parcel, the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel, and the Maximum Special Tax from the previously Taxable Parcel is transferred to the newly Taxable Parcel. This trading of Parcels will be permitted to the extent that there is no net loss in Maximum CFD Revenue.

6. SETTING THE ANNUAL SPECIAL TAX LEVY

The Special Tax levy for each Parcel will be established annually as follows:

- 1) Compute the Annual Costs using the definitions in Section 2.
- 2) Calculate the Special Tax for each Parcel as follows:
 - Step 1: Compute 100% of the Maximum Special Tax revenue for all Taxable Parcels.
 - Step 2: Compare the Annual Costs with the Maximum Special Tax revenue calculated in the previous step.
 - Step 3: If the Annual Costs are less than the Maximum Special Tax revenue, decrease proportionately the Special Tax levy for each Taxable Parcel until the Special Tax revenue equals the Annual Cost.
- 3) Prepare the Tax Collection Schedule for each Parcel and send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the following Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor for such inclusion.

The City shall make every effort to correctly assign the number of taxable units and calculate the Special Tax for each parcel. It shall be the burden of the taxpayer to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

As development and subdivision of HRN takes place, the Finance Director will maintain a file of each current assessor's parcel number within the CFD and the authorized Maximum Special Tax on all such Parcels available for public inspection. This record shall show the Maximum Special Tax on all Original and Successor Parcels and a brief description of the process of assigning the Maximum Special Tax each time a Successor Parcel was created. The record will also indicate whether a Parcel is a Prepayment Parcel or a Partial Prepayment Parcel.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

With a Prepayment, a landowner may satisfy all or a portion of the Special Tax obligation on any given Parcel:

Landowners may permanently satisfy all or part of the Special Tax obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Parcel is a whole Original Parcel greater than one acre or a Successor Parcel greater than ten acres.
- The City determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on Outstanding Bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the City whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the City of the dollar amount of the intended Prepayment. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount.

The Full Prepayment amount shall be established by following the steps in Part A and B below. The Partial Prepayment is calculated by following the steps in Part C below. Transfers from the Reserve Fund for a Full or Partial Prepayment are described in Part D below.

Part A: Prepayment of Outstanding Bond Share

- Step A.1: Determine the Maximum Special Tax for the Parcel based on the assignment of the Maximum Special Tax described in Section 5 above.
- Step A.2: Determine the "Benefit Share" by dividing the Maximum Special Tax determined in Step A.1 above by the Maximum CFD Revenue for all Parcels in the CFD.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step A.2 above by the total amount of Outstanding Bonds issued by the CFD.
- Step A.4: Calculate the Reserve Fund Share associated with the Bond Share determined in Step A.3 above and reduce the Bond Share by the amount of the Reserve Fund Share. The Reserve Fund Share is equal to the reserve requirement on all Outstanding Bonds multiplied by the Benefit Share. At the City's discretion, the Reserve Fund Share may be withheld from the Prepayment calculation and refunded to the Prepaying landowner at the time that bonds are called.
- Step A.5: Determine the Outstanding Bond Share by adding to the amount calculated in Step A.4 above any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the bonds, and expenses incurred by the City in connection with the prepayment calculation or the application of the proceeds of the prepayment.

Part B: Remaining Facility Cost Share

- Step B.1: Determine the Total Facility Cost Share for the Parcel by multiplying the Benefit Share from Part A, Step A.2 above by the Anticipated Construction Proceeds.
- Step B.2: Determine the share of facilities funded by bonds already issued by the CFD for the Parcel by multiplying the Benefit Share by the construction proceeds made available from all such bonds issued by the CFD. These amounts shall be adjusted to the year of Prepayment by using the Engineering News Record Construction Cost Index.
- Step B.3: Determine the share of facilities funded with any pay-as-you-go special tax revenues by multiplying the Benefit Share by the total amount of pay-as-you-go funding used to acquire authorized facilities.
- Step B.4: Determine the remaining facility cost share for the Parcel by subtracting the results from Steps B.2 and B.3 above from the Total Facility Cost Share determined in Step B.1. (Notwithstanding the above, once the City has issued all bonds for the CFD, the remaining facility cost share shall be set to zero for purposes of this prepayment calculation.)
- Step B.5: The Bond Authorization for the CFD shall be reduced by an amount equal to the amount determined in Step B.4 above multiplied by a factor of 1.15.
- Step B.6: Combine the amount from Part A Step A.5 with the amount from Part B Step B.4 to arrive at the Full Prepayment amount.**

Part C: Partial Prepayments

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) that results in a bond call in a whole number multiple of \$5,000. In no event shall a Partial Prepayment be for less than twenty-five percent (25%) of the full Prepayment amount. The City shall then determine the Partial Prepayment Factor by the following procedure:

- Step C.1: Subtract the amount of the Partial Prepayment from the Full Prepayment amount calculated in Step B.6 above;
- Step C.2: Subtract any fixed costs (such as the cost of the Prepayment calculation and other fees that do not vary proportionally with the size of the prepayment) of the Prepayment from the Full Prepayment amount;
- Step C.3: Divide the result of Step 1 by the result of Step C.2 above; and,

Step C.4: If a Partial Prepayment has previously been made for this Parcel, multiply the result of Step C. 3 above times the previously calculated Partial Prepayment Factor.

Part D: Transfers

Make the appropriate transfers from the Reserve Fund to the prepayment fund, as follows:

Step D.1: For a Full Prepayment transfer the amount of the Reserve Fund Share.

Step D.2: For a Partial Prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

8. ADMINISTRATIVE CHANGES AND APPEALS

The Finance Director or designee has the authority to make necessary administrative adjustments to the Rate and Method of Apportionment in order to remedy any portions of the Special Tax formula that require clarification.

Any taxpayer who feels that the amount of the Special Tax assigned to a parcel is in error may file a notice with the Finance Director appealing the levy of the Special Tax. The Finance Director will then promptly review the appeal, and if necessary, meet with the applicant. If the Finance Director verifies that the tax should be modified or changed, a recommendation at that time will be made to the City Council and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the City Council for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

9. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes; provided, however, that the City or its designee may directly bill the Special Tax and may collect the Special Tax at a different time, such as on a monthly or other periodic basis, or in a different manner, if necessary to meet its financial obligation.

Attachment 1
Highland Reserve North CFD No. 1
Maximum Special Taxes
By Specific Plan Parcel

Specific Plan Parcel [1]	Residential Units	Maximum Special Tax
1A	79	\$103,332
1B	108	\$141,264
2	151	\$197,508
3A	44	\$57,552
3B	89	\$116,412
4	135	\$176,580
5	65	\$85,020
6	83	\$108,564
7	96	\$125,568
8	94	\$122,952
9A	104	\$136,032
9B	50	\$65,400
10	85	\$111,180
20	117	\$126,360
30	250	\$126,000
31	220	\$110,880
40		\$93,522
41		\$81,774
42A		\$120,516
42B		\$24,750
43A		\$135,960
43B		\$6,600
44		\$26,136
45A		\$11,577
45B		\$101,838
46A		\$63,162
46B		\$71,148
46C		\$108,438
47A		\$62,304
47B		\$62,700
47C		\$61,908
Total	1,770	\$2,942,937

"attachment1"

[1] All Taxable Parcels were included in Assessor's Parcel 071-121-30 at the time of CFD formation.

The logo consists of the letters 'EPS' in a bold, white, sans-serif font, centered within a dark gray square.

**Economic &
Planning Systems**

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

EXHIBIT B:

LIST OF AUTHORIZED FACILITIES

EXHIBIT B

Highland Reserve North Community Facilities District No. 1 City of Roseville, California

LIST OF AUTHORIZED FACILITIES

Authorized facilities that may be funded through the CFD include the following public improvements:

Transportation Improvements

Authorized facilities include the following transportation-related improvements:

- Stanford Ranch Road widening;
- Fairway Drive construction;
- Central Park Drive construction;
- Highland Drive construction;
- Pleasant Grove Boulevard construction;
- Pleasant Grove Interchange contribution;
- Other public roadway improvement required to meet the needs of the project.

Eligible roadway improvements include; purchase of right of way; roadway design; project management; bridge crossings, grading and paving; joint trenches and underground utilities; curbs, gutters, and sidewalks; street lights (including reimbursements to the City) and signalization; signs and striping; and median and parkway landscaping related thereto.

Wastewater System Improvements

Authorized facilities include any and all wastewater facilities designed to meet the needs of development within Highland Reserve North CFD No. 1. These facilities include sewer transmission lines and related wastewater system improvements.

Water System Improvements

Authorized facilities include any and all water facilities designed to meet the needs of development within Highland Reserve North CFD No. 1. These facilities include water distribution facilities including fire hydrants, and related water system improvements; pressure reducing stations, and flow meters.

Drainage System Improvements

Authorized facilities include any and all drainage and storm sewer improvements designed to serve the needs of development within the CFD including, but not limited to pipelines and appurtenances, temporary drainage facilities, detention basins, and drainage pretreatment facilities.

School Site Purchase

Authorized facilities include the purchase of the elementary school site with the Highland Reserve North Specific Plan, including all costs related to such purchase.

Park Improvements

Authorized facilities include any and all improvements to park facilities located in the Highland Reserve North Specific Plan, including acquisition of property and the design and construction thereof.

Other Expenses

In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, including, but not limited to, the cost of planning and designing the facilities (including the cost of environmental evaluation and environmental remediation); construction staking; utility relocation and demolition costs incident to the construction of the public facilities, cost associated with the creation of the Mello-Roos CFD; issuance of bonds; determination of the amount of taxes, collection of taxes; payment of taxes; or costs otherwise incurred in order to carry out the authorized purposes of the CFD; reimbursements to other areas for infrastructure facilities serving the Highland Reserve Project; and any other expenses incidental to the construction, completion, and inspection of the facilities.

EPS

Economic &
Planning Systems

Public Finance

Real Estate Economics

Regional Economics

Land Use Policy

EXHIBIT C:
BOUNDARY MAP

Exhibit C

FILED IN THE OFFICE OF THE CLERK OF THE CITY OF ROSEVILLE, PLACER COUNTY, CALIFORNIA ON THIS _____ DAY OF _____, 19 ____.

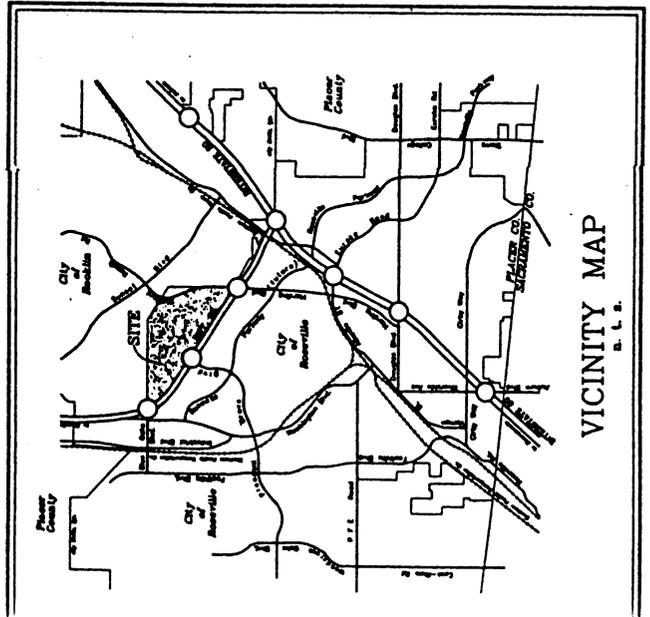
CAROLYN PARKINSON, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

I HEREBY CERTIFY THAT THIS MAP WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF ROSEVILLE AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 19 ____.
BY ITS RESOLUTION NUMBER _____.

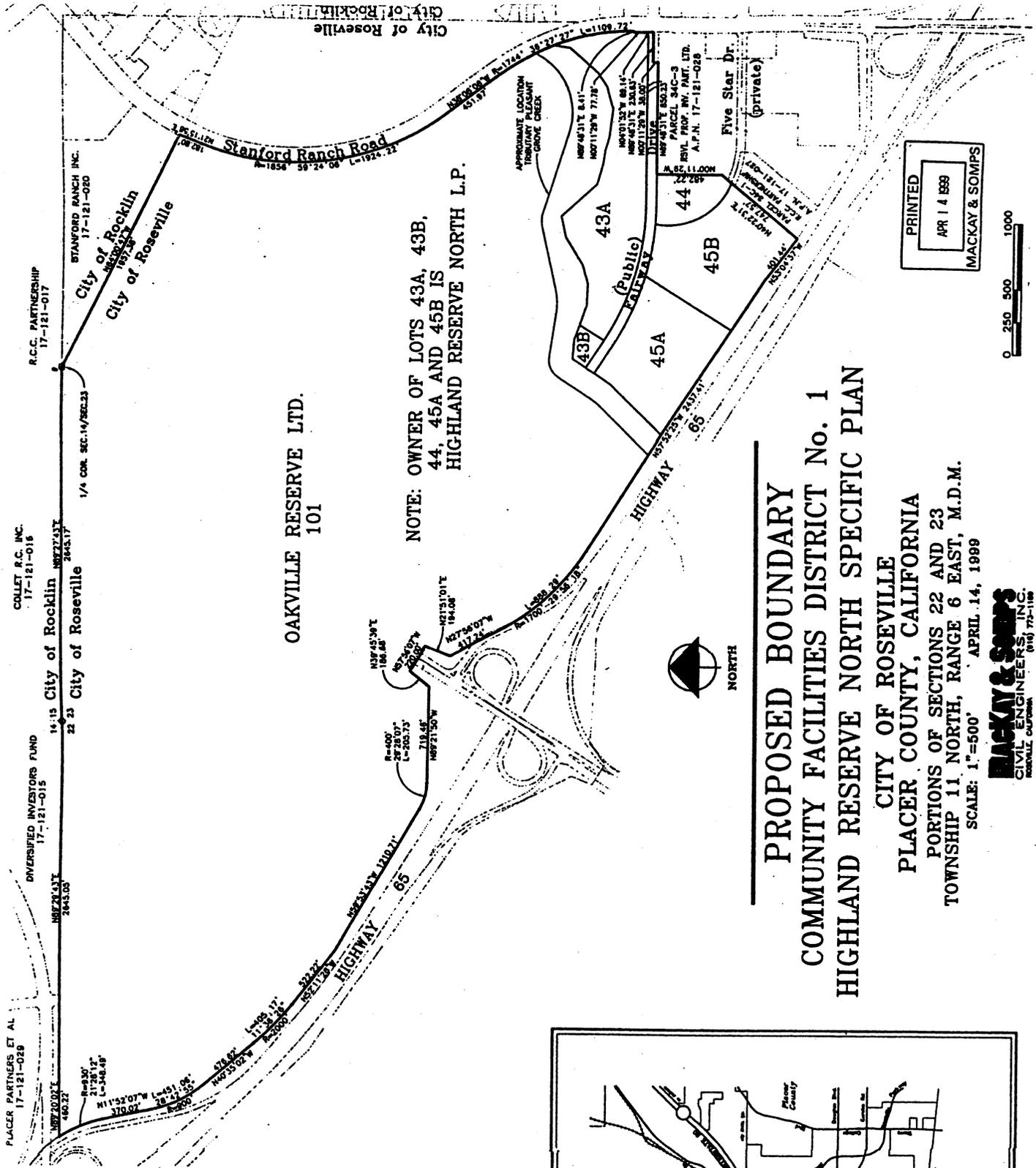
CAROLYN PARKINSON, CITY CLERK
CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA

FILED THIS _____ DAY OF _____, 19 ____.
AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF PLACER



VICINITY MAP
S. L. P.



OAKVILLE RESERVE LTD.
101

NOTE: OWNER OF LOTS 43A, 43B, 44, 45A AND 45B IS HIGHLAND RESERVE NORTH L.P.

**PROPOSED BOUNDARY
COMMUNITY FACILITIES DISTRICT No. 1
HIGHLAND RESERVE NORTH SPECIFIC PLAN**

CITY OF ROSEVILLE
PLACER COUNTY, CALIFORNIA
PORTIONS OF SECTIONS 22 AND 23
TOWNSHIP 11 NORTH, RANGE 6 EAST, M.D.M.
SCALE: 1"=500' APRIL 14, 1989

PRINTED
APR 14 1989
MACKAY & SOMPS



MACKAY & SOMPS
CIVIL ENGINEERS, INC.
ROSEVILLE, CALIFORNIA
(916) 772-1188