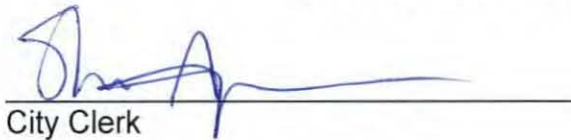




REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: APRIL 9, 2013

TITLE: SECOND READING AND ADOPTION OF ORDINANCE NO. 13-02
LEVYING SPECIAL TAXES WITHIN IMPROVEMENT AREA NO. 1
OF THE CITY OF IRVINE COMMUNITY FACILITIES DISTRICT
NO. 2013-3 (GREAT PARK)


City Clerk


City Manager

RECOMMENDED ACTION

Read by title only, second reading and adoption of ORDINANCE NO. 13-02 - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF THE CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK) LEVYING SPECIAL TAXES WITHIN IMPROVEMENT AREA NO. 1 OF THE CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)

EXECUTIVE SUMMARY

Ordinance No. 13-02 was introduced and first read on March 26, 2013 by the City Council. The vote at the first reading was as follows:

AYES: 4 COUNCILMEMBERS: Agran, Lalloway, Shea and Choi

NOES: 0 COUNCILMEMBERS: None

ABSENT: 1 COUNCILMEMBERS: Krom

Unless otherwise directed by a member of the City Council, the vote at second reading will reflect the same vote as at first reading. However, if a Councilmember was absent at first reading, his or her vote cast at second reading will be reflected. If a Councilmember is not present at the second reading/adoption, the vote will be reflected as absent.

ATTACHMENTS

Attachment: City Council Ordinance No. 13-02

CITY COUNCIL ORDINANCE NO. 13-02

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF THE CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK) LEVYING SPECIAL TAXES WITHIN IMPROVEMENT AREA NO. 1 OF THE CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3 (GREAT PARK)

WHEREAS, on February 12, 2013, this City Council (the City Council) adopted Resolution No. 13-16 entitled "Resolution of the City Council of the City of Irvine, California Declaring Its Intention to Establish City of Irvine Community Facilities District No. 2013-3 (Great Park) to Designate three (3) Improvement Areas therein, and to Authorize the Levy of Special Taxes Therein" (the Resolution of Intention) stating its intention to establish City of Irvine Community Facilities District No. 2013-3 (Great Park) (the CFD) and to designate Improvement Area No. 1 therein (IA-1), pursuant to Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311 of the California Government Code, known as the Mello-Roos Community Facilities Act of 1982, as amended (the Act), to finance certain facilities and services (the Facilities and Services) as described in the Resolution of Intention; and

WHEREAS, notice was published as required by the Act relative to the intention of this Board to form the CFD and to provide for the Facilities and Services; and

WHEREAS, this City Council held a noticed public hearing as required by the Act relative to the determination to proceed with the formation of IA-1 of the CFD and regarding the rate and method of apportionment of the special tax to be levied within IA-1 of the CFD to finance the costs of the Facilities and Services; and

WHEREAS, at said hearing all persons desiring to be heard on all matters pertaining to the formation of IA-1 of the CFD and the levy of said special taxes were heard, substantial evidence was presented and considered by this City Council and a full and fair hearing was held; and

WHEREAS, subsequent to said public hearing the Board adopted its resolutions entitled "A Resolution of the City Council of the City of Irvine Authorizing Formation of City of Irvine Community Facilities District No. 2013-3 (Great Park), Designating Three (3) Improvement Areas Therein, Authorizing the Levy of a Special Tax Therein, Approving Agreements, Preliminarily Establishing an Appropriations Limit Therefor and Submitting Levy of the Special Tax and the Establishment of the Appropriations Limit to the Qualified Electors Thereof" (the Resolution of Formation), "A Resolution of the City Council of the City of Irvine, California Determining the Necessity to Incur Bonded Indebtedness Within Improvement Area No. 1 of the City of Irvine Community Facilities District No. 2013-3 (Great Park) and Submitting a Proposition to the Qualified Electors Thereof" (the Resolution of Necessity) and "A Resolution of the City Council of the City of Irvine, California Calling A Special Election for the Purpose of Approving a Special

Tax in Improvement Area No. 1 of the City of Irvine Community Facilities District No. 2013-3 (Great Park), the Issuance of Bonds by said Improvement Area of the District and Establishment of an Appropriations Limit," which resolutions established the CFD and IA-1 of the CFD, authorized the levy of special tax within IA-1 of the CFD and called an election within IA-1 of the CFD on the propositions of incurring indebtedness, levying a special tax, and establishing an appropriations limit within IA-1 of the CFD; and

WHEREAS, an election was held within IA-1 of the CFD in which the eligible landowner electors approved said propositions by more than the two-thirds vote required by the Act.

NOW, THEREFORE, the City Council of the City of Irvine, acting as the legislative body of IA-1 of the CFD DOES HEREBY ORDAIN as follows:

Section 1. Levy of Special Tax. By the passage of this Ordinance, the City Council authorizes and levies special taxes within IA-1 of the CFD pursuant to Sections 53328 and 53340 of the Act, at the rates and in accordance with the method of apportionment set forth in Exhibit A (the Rate & Method of Apportionment). The special taxes are hereby levied commencing in fiscal year 2013-2014 and in each fiscal year thereafter as provided in the Rate and Method of Apportionment.

Section 2. Annual Levy. The Director of Administrative Services of the City is hereby further authorized and directed each fiscal year, to determine the specific special tax rates and amounts to be levied for the next ensuing fiscal year for each parcel of real property within IA-1 of the CFD, in the manner and as provided in the Rate & Method of Apportionment.

Section 3. Property Exempt From Tax. Subject to California Government Code Sections 53317.3 and 53317.5, properties or entities of the state, federal or local governments shall be exempt from any levy of the special taxes, to the extent set forth in the Rate & Method of Apportionment. In no event shall the special taxes be levied on any parcel within the CFD in excess of the maximum tax specified in the Rate & Method of Apportionment.

Section 4. Taxable Property. No other properties or entities are exempt from the authorized special tax unless the properties or entities are expressly exempted in the Rate & Method of Apportionment.

Section 5. Use of Tax Revenues. All of the collections of the special tax shall be used as provided for in the Act, the Rate & Method of Apportionment, the Resolution of Formation, the Amended and Restated Development Agreement by and between the City and Heritage Fields El Toro, LLC, and the City (as the successor agency to the Irvine Redevelopment Agency) and Heritage Fields El Toro, LLC, dated December 27, 2010 (as amended), the Amended and Restated Master Implementation Agreement, by and between the City and Heritage Fields El Toro, LLC, dated December 27, 2010 (as amended), and the Acquisition

Agreement by and between the City and Heritage Fields El Toro, LLC, dated March 26, 2013 (as amended), including, but not limited to, the payment of principal and interest on the Bonds, the replenishment of a reserve fund for the Bonds, payment of the costs of the Facilities and Services, the payment of the costs of the District in administering the CFD and issuing the Bonds and the cost of collection and administering the special taxes.

Section 6. Manner of Tax Collection. The special taxes shall be collected from time to time as necessary to meet the financial obligations of IA-1 of the CFD on the secured real property tax roll in the same manner as ordinary ad valorem taxes are collected, or other procedures as may be adopted by the City Council. The City's Director of Administrative Services is hereby authorized and directed to provide all necessary information to the auditor/tax collector of the County of Orange and to otherwise take all actions necessary in order to effect proper billing and collection of the special tax, so that the special tax shall be levied and collected in sufficient amounts and at times necessary to satisfy the financial obligations of IA-1 of the CFD in each fiscal year until the Bonds are paid in full, the Facilities have been paid for, and provision has been made for payment of all of the administrative costs of IA-1 of the CFD. The special taxes may be subject to the same penalties and the same procedure, sale, and lien priority in cases of delinquency as provided for ad valorem taxes. Notwithstanding the foregoing, the Director of Administrative Services of the City may collect one or more installments of the special taxes by means of direct billing of the property owners within IA-1 of the CFD, if, (i) it is required or allowed in the Rate & Method of Apportionment or (ii) in the judgment of the Director of Administrative Services, such means of collection will reduce the administrative burden of the City in administering IA-1 of the CFD where otherwise appropriate in the circumstances. In such event, the special taxes shall become delinquent if not paid when due as set forth in any such respective billing to the property owners. Regardless of the manner of collection, the special taxes shall have the same lien priority, and be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for ad valorem taxes. In addition, the provisions of Section 53356.1 of the Act shall apply to delinquent special tax payments.

Section 7. Cumulative Remedies. The City Council may exercise its rights under Section 53356.1 of the Act.

Section 8. Severability. If for any reason any portion of this Ordinance is found to be invalid, or if the special taxes are found inapplicable to any particular parcel within IA-1 of the CFD, by a court of competent jurisdiction, the balance of this Ordinance and the application of the special tax to the remaining parcels within IA-1 of the CFD shall not be affected.

Section 9. Publication of Ordinance. The Mayor shall sign this Ordinance and the City Clerk shall attest this Ordinance and cause the same to be published within fifteen (15) days after its passage at least once in a newspaper of general circulation published and circulated in the City.

PASSED AND ADOPTED by the City Council of the City of Irvine at a regular meeting held on the 9th day of April 2013.

MAYOR OF THE CITY OF IRVINE

ATTEST:

CITY CLERK OF THE CITY OF IRVINE

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF IRVINE)

I, SHARIE APODACA, City Clerk of the City of Irvine, HEREBY DO CERTIFY that the foregoing Ordinance was introduced for first reading on the 26th day of March 2013, and duly adopted at a regular meeting of the City Council of the City of Irvine held on the 9th day of April 2013, by the following vote:

AYES:	COUNCILMEMBERS:
NOES:	COUNCILMEMBERS:
ABSENT:	COUNCILMEMBERS:

CITY CLERK OF THE CITY OF IRVINE

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF IRVINE COMMUNITY FACILITIES DISTRICT
NO. 2013-3 (GREAT PARK)
IMPROVEMENT AREA NO. 1**

A Special Tax shall be levied on all Assessor's Parcels of Taxable Property in Improvement Area No. 1 of City of Irvine Community Facilities District No. 2013-3 (Great Park) ("CFD No. 2013-3 (IA No. 1)") and collected each Fiscal Year commencing in Fiscal Year 2013-2014, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2013-3 (IA No. 1), unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"**Acre**" or "**Acreage**" means the land area in acres 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 in acres shown on the applicable final map, parcel map, condominium plan, or other map or plan recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"**Act**" means, collectively, the Mello-Roos Community Facilities Act of 1982, being Chapter 2.5, Part 1, Division 2 of Title 5 of the California Government Code, the City Charter, and the City Municipal Code, codified and uncoded.

"**Administrative Expenses**" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2013-3 (IA No. 1), including but not limited to: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2013-3 (IA No. 1) or any designee thereof of complying with arbitrage rebate requirements with respect to the Special Tax and CFD No. 2013-3 (IA No. 1) Bonds; the costs to the City, CFD No. 2013-3 (IA No. 1) or any designee thereof of complying with disclosure requirements of the City, CFD No. 2013-3 (IA No. 1) or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2013-3 (IA No. 1) or any designee thereof related to an appeal of the Special Tax; the costs of the City, CFD No. 2013-3 (IA No. 1) or any designee thereof related to the recalculation of the Value Limitation in accordance with Section C.1 below and the Buydown of Outstanding Bonds in accordance with Section D.4 below; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses related to CFD No. 2013-3 (IA No. 1) Bonds. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2013-3 (IA No. 1) for any other

administrative purposes of CFD No. 2013-3 (IA No. 1), including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Affordable Housing" means residential Dwelling Units, located on one or more Assessor's Parcels of Residential Property, that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City that restricts rents or prices chargeable to "lower income households" (as defined in California Health and Safety Code Section 50079.5 or any successor code section).

"Amended and Restated Development Agreement" means the Amended and Restated Development Agreement, dated December 27, 2010, by and among the City, the Developer, and the Irvine Redevelopment Agency, as it may be further amended.

"Assessor's Parcel" means a lot or parcel to which an assessor's parcel number is assigned as determined from an Assessor's Parcel Map or the applicable assessment roll.

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

"Attached Residential Property" means Assessor's Parcels of Developed Property for which building permits have been issued for a Dwelling Unit that shares, or will share, an inside wall with another Dwelling Unit.

"Authorized Facilities" means the facilities authorized to be financed by CFD No. 2013-3.

"Authorized Services" means the services authorized to be financed by CFD No. 2013-3.

"Auto Center Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which is primarily used for: selling automobiles, or for any other uses that are consistent with auto center land use designations as determined by the City.

"Bond Costs" means for (i) any bond issue sold by any Other Improvement Area in CFD No. 2013-3 and (ii) all Subordinate CFD No. 2013-3 (IA No. 1) Bonds, all debt service payments, administrative expenses, and amounts required to establish or replenish any bond reserve funds, and any other use of Special Taxes for such bond issues required by the indenture, fiscal agent agreement, or other agreement governing the terms of such bond issue.

"Bond Index" means the national Bond Buyer Revenue Bond Index, commonly referenced as the 25 Bond Revenue Index. In the event the Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing in 30 years with an average rating equivalent to Moody's A1 and S&P's A-plus, as reasonably determined by the CFD Administrator.

"Bond Yield" means the weighted average yield of Outstanding Bonds. For purposes of this calculation, the weighted average yield on Outstanding Bonds shall be the weighted average of the yield calculated for each series of Outstanding Bonds at the time such Outstanding Bonds were issued, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, for the purpose of the tax certificate executed in connection with the issuance of such Outstanding Bonds.

"Buydown of Outstanding Bonds" means a mandatory buydown of Outstanding Bonds made by a property owner to compensate for a loss of Special Tax revenues, as determined in accordance with Section D below.

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

"CFD No. 2013-3" means City of Irvine Community Facilities District No. 2013-3 (Great Park).

"CFD No. 2013-3 (IA No. 1)" means Improvement Area No. 1 of CFD No. 2013-3 as identified on the boundary map for CFD No. 2013-3 and further set forth in the Resolution of Formation.

"CFD No. 2013-3 (IA No. 1) Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2013-3 (IA No. 1) and secured by the Special Taxes levied on property within the boundaries of CFD No. 2013-3 (IA No. 1) under the Act.

"Church Property" means all Assessor's Parcels of Developed Property for which an initial building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which is primarily used for a church sanctuary, synagogue or other such place of worship, which may or may not include associated buildings which are to be used for religious educational purposes, and which is exempt from taxation pursuant to Section 214 of the Revenue and Taxation Code of the State of California.

"City" means the City of Irvine.

"Commercial Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which is primarily used for: the sale of general merchandise, hard goods, personal services, and other items directly to consumers, or other uses that are consistent with commercial land use designations, as determined by the City.

"Council" means the City Council of the City which serves as the legislative body of CFD No. 2013-3.

"County" means the County of Orange.

"Debt Service Coverage" means the debt service coverage percentage identified in the additional bonds test or parity bonds test section of the Indenture for Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds.

"Detached Residential Property" means Assessor's Parcels of Developed Property for which building permits have been issued for a Dwelling Unit that is surrounded by freestanding walls and that does not share an inside wall with any other Dwelling Unit.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which a building permit for construction was issued after January 1, 2012 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

"Developed Property Special Tax Requirement" means, for any Fiscal Year, the Maximum Special Tax on Developed Property.

"Developer" means Heritage Fields El Toro LLC, a Delaware limited liability company, and its successors and assigns. The term "successors" does not refer to the successors to all or any portion of the property within CFD No. 2013-3 (IA No. 1) unless the new property owner receives an assignment of the "Master Developer" rights and obligations under the Amended and Restated Development Agreement.

"Discount Rate" means (i) prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the Bond Index, and (ii) subsequent to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the Bond Yield.

"Dwelling Unit" means one residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling, condominium, apartment, mobile home, or otherwise.

"Final Mapped Property" means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property and Taxable Public Property, located in a Final Subdivision as of January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, but no earlier than January 1, 2012.

"Final Mapped Property/Undeveloped Property Special Tax Requirement" means that amount required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2013-3 (IA No. 1) Bonds, (iii) pay for Administrative Expenses, (iv) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year, (v) pay the Guaranteed Amount, and (vi) pay Bond Costs for Other Improvement Area Bonds to the extent that Special Taxes secure an issue of Other Improvement Area Bonds, less (vii) an amount equal to the Developed Property Special Tax Requirement, less (viii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator, so long as the amount required is not less than zero.

"Final Subdivision" means a subdivision of property which occurred prior to January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code Section 1352 that, in either case, creates individual lots for which building permits may be issued without further subdivision.

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

"Floor Area Ratio" means for Non-Residential – Commercial Property – 0.317; for Non-Residential – Industrial Property – 0.325; for Non-Residential – Institutional Property – 0.361; for Non-Residential – Office Property – 0.326; for Non-Residential – Auto Center – 0.084; and for Non-Residential – Other Non-Residential Property – 0.308.

"Guaranteed Amount" means for any Fiscal Year, the lesser of (i) the Pro Rata Share for CFD No. 2013-3 (IA No. 1) of the annual amounts set forth in Exhibit B, or (ii) the sum of (a) Pro Rata Share for CFD No. 2013-3 (IA No. 1) of the amount needed to finance Authorized Services described in the definition of "Authorized Services" in the Amended and Restated Development Agreement in such Fiscal Year as determined by the City, and (b) the Bond Costs associated with any Subordinate CFD No. 2013-3 (IA No. 1) Bonds issued on behalf of CFD No. 2013-3 (IA No. 1). The Guaranteed Amount collected in CFD No. 2013-3 (IA No. 1) may be used to finance Authorized Services described in the definition of "Authorized Services" in the Amended and Restated Development Agreement and to pay Bond Costs associated with Subordinate CFD No. 2013-3 (IA No. 1) Bonds issued on behalf of CFD No. 2013-3 (IA No. 1).

"Indenture" means the indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which CFD No. 2013-3 (IA No. 1) Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Industrial Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which is primarily used for: manufacturing, production, research and development, storage and/or processing of goods, or for any other uses that are consistent with industrial land use designations as determined by the City.

"Institutional Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which is primarily used for: education, including libraries and museums, or for any other uses that are consistent with institutional land use designations, as determined by the City.

"Intermediate Maximum Special Tax" means the intermediate Maximum Special Tax, determined in accordance with Section C herein, that can be levied in any Fiscal Year on any Assessor's Parcel of Final Mapped Property or Undeveloped Property.

"Land Use Class" means any of the classes listed in Table 1, Table 2 or Exhibit A, herein.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

"Moderate Affordable Senior Units" means Dwelling Units that are designed for, and restricted to, persons or couples of whom one member is age 55 or older that is located on one or more Assessor's Parcels of Residential Property that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing affordable housing for households with incomes below 120% of the County median income (but not less than 80% of the County median income).

"Moderate Affordable Units" means Dwelling Units, other than Moderate Affordable Senior Units, that are located on one or more Assessor's Parcels of Residential Property that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing affordable housing for households with incomes below 120% of the County median income (but not less than 80% of the County median income).

"Non-Residential Floor Area" means the total building square footage of the non-residential building(s) located on an Assessor's Parcel, measured from outside wall to outside wall, not including space devoted to stairwells, public restrooms, lighted courts, vehicle parking and areas incident thereto, and mechanical equipment incidental to the operation of such building. The determination of Non-Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel and/or to the appropriate records kept by the Department of Planning and Land Use, as reasonably determined by the CFD Administrator.

"Non-Residential Property" means any and each Assessor's Parcel of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City or other governmental agency, including, but not limited to, Church Property.

"Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds" means any issue(s) of CFD No. 2013-3 (IA No. 1) Bonds that are not Subordinate CFD No. 2013-3 (IA No. 1) Bonds.

"Office Property" means all Assessor's Parcels of Developed Property for which a building permit(s) permitting the construction of one or more non-residential facilities has been issued by the City which is primarily used for: professional/medical offices, or for any other uses that are consistent with office land use designations, as determined by the City.

"Other Improvement Area" means an improvement area located within CFD No. 2013-3, other than CFD No. 2013-3 (IA No. 1).

"Other Improvement Area Bonds" means all bonds issued on behalf of Other Improvement Areas that are secured by the Special Taxes levied in CFD No. 2013-3 (IA No. 1) in the manner and for the duration set forth in one or more indentures, fiscal agent agreements, or other agreements governing the terms of such Other Improvement Area Bonds.

"Other Non-Residential Property" means all Non-Residential Property, excluding Auto Center Property, Commercial Property, Industrial Property, Church Property, Institutional Property, and Office Property.

"Outstanding Bonds" means all Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds which are outstanding under an Indenture.

"Overlapping Liens" means projected ad valorem property taxes and all direct and overlapping assessments, taxes, special taxes, and charges on the secured tax-roll of the County for each parcel/unit of Taxable Property at the time of CFD No. 2013-3 formation, excluding however, the Special Taxes assessed or levied pursuant to this Rate and Method of Apportionment.

"Prepayable Portion of the Special Tax" shall have the meaning set forth in Section I.

"Pro Rata Share" means the ratio calculated by dividing the anticipated Maximum Special Tax to be levied at build out in CFD No. 2013-3 (IA No. 1) by the anticipated Maximum Special Tax to be levied at build out for all improvement areas within CFD No. 2013-3, excluding the Maximum Special Taxes anticipated to be paid by Zone 2 in IA No. 3. So long as there are no CFD No. 2013-3 (IA No. 1) Bonds outstanding, or Special Taxes being pledged to the payment of Bond Costs for Other Improvement Area Bonds, the City shall recalculate the Pro Rata Share

to reflect current development assumptions in connection with any change proceedings conducted in CFD No. 2013-3 and in connection with the amendment of Table 1 and/or Table 2 of the rate and method of apportionment for any improvement area of CFD No. 2013-3. Notwithstanding the foregoing, the City shall not recalculate the Pro Rata Share to incorporate any prepayments of the Prepayable Portion of the Special Tax.

"Property Owner Association Property" means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2013-3 (IA No. 1) for which the owner of record, as determined from the County Assessor's secured tax roll for the Fiscal Year in which the Special Tax is being levied, is a property owner's association, including any master or sub-association, (ii) any property located in a Final Subdivision and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner's association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property. For Final Mapped Property, "Proportionately" means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is equal for all Assessor's Parcels of Final Mapped Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section E below. Notwithstanding the above, a disproportionate levy shall be permissible for any Assessor's Parcels in CFD No. 2013-3 (IA No. 1) to cover any delinquencies by a property owner.

"Public Property" means, for each Fiscal Year, all property within the boundaries of CFD No. 2013-3 (IA No. 1) that (i) is owned by, irrevocably offered or dedicated to, or leased to, the federal government, the State, the County, the City, or any local government or other public agency, provided that any property leased or granted a possessory interest by any of the foregoing entities, then pursuant to Section 53340.1 of the Act, such leasehold or possessory interest shall be taxed and classified according to its use, or (ii) is encumbered by a public easement making impractical its use for any purpose other than that set forth in the easement.

"Rate and Method of Apportionment" means this Rate and Method of Apportionment for CFD No. 2013-3 (IA No. 1).

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means any and each Assessor's Parcel of Developed Property for which a building permit permitting the construction thereon of one or more residential Dwelling Units

has been issued by the City, or other governmental agency, but specifically excluding Church Property.

"Resolution of Formation" means the resolution establishing CFD No. 2013-3.

"Special Tax" or "Special Taxes" means the special taxes that may be levied on one or more Assessor's Parcel of Taxable Property within CFD No. 2013-3 (IA No. 1) pursuant to this Rate and Method of Apportionment.

"Special Tax Requirement" means the sum of the Developed Property Special Tax Requirement, the Final Mapped Property/Undeveloped Property Special Tax Requirement and the Taxable Property Owner Association Property/Taxable Public Property Special Tax Requirement.

"State" means the State of California.

"Subordinate CFD No. 2013-3 (IA No. 1) Bonds" means any CFD No. 2013-3 (IA No. 1) Bonds that are subordinate to any current or future CFD No. 2013-3 (IA No. 1) Bonds and that meet the requirements set forth in the Amended and Restated Development Agreement.

"Supplemental Improvement Area" means any Other Improvement Area that has been specifically designated as additional collateral for CFD No. 2013-3 (IA No. 1) Bonds as authorized in the Indenture. The Supplemental Improvement Area shall be retained as additional collateral and security for CFD No. 2013-3 (IA No. 1) Bonds until conditions for the release of the special taxes in the Supplemental Improvement Area, as set forth in the Indenture, are satisfied.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2013-3 (IA No. 1) which are not exempt from the Special Tax pursuant to applicable law or Section F below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

"Taxable Property Owner Association Property/Taxable Public Property Special Tax Requirement" means, so long as the amount required is not less than zero, that amount required, if any, in any Fiscal Year to (i) pay debt service on the Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2013-3 (IA No. 1) Bonds, (iii) pay for Administrative Expenses, (iv) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year, and (v) pay Bond Costs for Other Improvement Area Bonds to the extent that Special Taxes secure an issue of Other Improvement Area Bonds, less (vi) an amount equal to the Developed Property Special Tax Requirement, less (vii) the amount of the Final Mapped Property/Undeveloped Property Special Tax Requirement levied on Final Mapped Property and Undeveloped Property in such Fiscal Year, less (viii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section F below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Property Owner Association Property, or Taxable Public Property.

"Value Limitation" means, collectively (i) that the amount of the Maximum Special Taxes for Residential Property within each Land Use Class, when combined with all Overlapping Liens, including a sufficient amount to pay the assumed Irvine Ranch Water District assessments (subject to the limitations set forth in the Amended and Restated Development Agreement), shall collectively not exceed two percent (2%) of the expected base sales price (i.e., the base sales price without any optional upgrades included) of the lowest priced residential unit in such Land Use Class, based upon the anticipated sales prices to end users at the time of calculation; (ii) that the amount of the Special Taxes for each Non-Residential Property Land Use Class identified in Table 1 and expressed as an amount per square foot of Non-Residential Floor Area, shall not exceed the product of (a) one and one hundred thirty-nine thousandths percent (1.139%) and (b) the per square foot value of land (as determined by the third-party appraisal described in Section C.1) located within CFD No. 2013-3 (IA No. 1) for each Non-Residential Property Land Use Class, divided by the Floor Area Ratio for the applicable Land Use Class, and (iii) the amount of the Special Taxes for each Non-Residential Property Land Use Class set forth in Table 1 herein and expressed as an amount per Acre, shall not exceed the product of (a) the amount per square foot of Non-Residential Floor Area calculated in (ii) above for each Non-Residential Property Land Use Class, (b) the Floor Area Ratio for the applicable Land Use Class, and (c) 43,560.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2013-3 (IA No. 1) shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and E herein.

C. MAXIMUM SPECIAL TAX RATE

1. Special Tax

Residential Property shall be assigned to Land Use Classes 1 through 30 as listed in Table 1 herein based on the description and, with respect to Land Use Classes 1-30, the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Classes 31 through 36. Prior to the issuance of the first series of Non-Subordinated CFD No. 2013-3 (IA No. 1) Bonds, the Maximum Special Taxes for Residential Property and the Special Taxes for Non-Residential Property (set forth in Table 1) shall be reduced in accordance with, and subject to, the conditions set forth in this Section C.1, without the need for any proceedings to make changes permitted under the Act.

Upon the earlier of (i) one hundred twenty (120) calendar days before the projected execution date of a bond purchase agreement for the first series of Non-Subordinated CFD No. 2013-3 (IA No. 1) Bonds, or (ii) the written request of the Developer within two hundred seventy (270) calendar days before the projected date of issuance of the first building permit permitting the construction of a non-model residential building for a Land Use Class within CFD No. 2013-3 (IA No. 1), a third-party consultant selected by the City shall be engaged (within thirty days after the applicable trigger date) to recalculate the Value Limitation for Residential Property, and, if the City determines that the Maximum Special Taxes for Residential Property for any Land Use Class (as reflected in Table 1) will cause the overall tax burden (including Overlapping Liens) on Residential Property to exceed the recalculated Value Limitation for any Residential Property Land Use Class, then the Maximum Special Tax for Residential Property for any Land Use Class (as reflected in Table 1) that exceeds its recalculated Value Limitation shall be reduced to the amount necessary to comply with its recalculated Value Limitation. The reduction shall occur within thirty (30) calendar days of the completion of the third-party consultant's report.

Upon the earlier of (i) one hundred and twenty (120) calendar days before the projected execution date of a bond purchase agreement for the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, or (ii) the written request of the Developer within two hundred seventy (270) calendar days before the projected date of issuance of the first building permit permitting the construction of a non-residential building for a Land Use Class within CFD No. 2013-3 (IA No. 1), a third-party appraiser selected by the City shall be engaged (within thirty days after the applicable trigger date) to recalculate the Value Limitation for Non-Residential Property within CFD No. 2013-3 (IA No. 1), and, based upon the report of the appraiser, if the City so determines that the per square foot and per Acre Special Taxes, as reflected in Table 1, herein, exceed the recalculated Value Limitation for Non-Residential Property for any Land Use Class, then the per square foot and per Acre Special Tax for each Non-Residential Property Land Use Class (as reflected in Table 1) that exceeds its recalculated Value Limitation shall be reduced to the amount necessary to comply with its recalculated Value Limitation, provided, however, that the Maximum Special Taxes for Non-Residential Property do not fall below \$0.40 per square foot of Non-Residential Floor Area. The reduction shall occur within thirty (30) calendar days of the completion of the third-party appraiser's report.

Notwithstanding the above, if, and to the extent, the recalculation of the Maximum Special Tax for Residential Property and per square foot and per Acre Special Taxes for Non-Residential Property is triggered by the projected issuance of a building permit, the recalculation(s) shall only be completed for those Land Use Classes for which a building permit is expected to be

issued within 270 days. If, and to the extent, the recalculation of the Maximum Special Tax for Residential Property and per square foot and per Acre Special Taxes for Non-Residential Property is triggered by the projected execution of a bond purchase agreement within 120 days, the recalculation(s) shall be completed for all Land Use Classes within CFD No. 2013-3 (IA No. 1) that have not previously experienced a reduction in their Maximum Special Taxes (for Residential Property) or their Special Taxes (for Non-Residential Property).

Each Special Tax reduction for a Land Use Class pursuant to this Section C.1, shall be calculated separately, as reasonably determined by the CFD Administrator, without regard to special tax reductions in any other Land Use Class, and it shall not be required that a reduction in Special Taxes for one Land Use Class be proportionate to reductions in Special Taxes for any other Land Use Class. If the Special Taxes for a Land Use Class do not require reduction as set forth in this Section C.1, then those Special Taxes shall not be reduced irrespective of any reductions made to other Special Taxes. The reductions required pursuant to this Section C.1 shall be reflected in an amended notice of special tax lien which the City shall cause to be recorded by executing a certificate in substantially the form attached herein as Exhibit A. Notwithstanding the foregoing, under no circumstances may the Special Taxes be reduced under this Section C.1 during the time that the Special Taxes have been pledged to the payment of Bond Costs for Other Improvement Area Bonds.

(a) **Developed Property**

(i) **Maximum Special Tax**

The Maximum Special Tax that may be levied and escalated as explained further in Section C.1.(a)(ii) below in any Fiscal Year for each Assessor's Parcel classified as Developed Property is shown below in Table 1.

TABLE 1

**Maximum Special Tax for Developed Property
Improvement Area No. 1 of CFD No. 2013-3
Fiscal Year 2013-2014**

Land Use Class	Description	Maximum Special Tax
1	DETACHED RESIDENTIAL PROPERTY ($\Rightarrow$ 5,700 SF)	\$12,356 per Dwelling Unit
2	DETACHED RESIDENTIAL PROPERTY (5,450 SF - 5,699 SF)	\$11,858 per Dwelling Unit
3	DETACHED RESIDENTIAL PROPERTY (5,200 SF - 5,449 SF)	\$11,359 per Dwelling Unit
4	DETACHED RESIDENTIAL PROPERTY (4,950 SF - 5,199 SF)	\$10,861 per Dwelling Unit
5	DETACHED RESIDENTIAL PROPERTY (4,700 SF - 4,949 SF)	\$10,363 per Dwelling Unit
6	DETACHED RESIDENTIAL PROPERTY (4,450 SF - 4,699 SF)	\$9,864 per Dwelling Unit
7	DETACHED RESIDENTIAL PROPERTY (4,200 SF - 4,449 SF)	\$9,366 per Dwelling Unit
8	DETACHED RESIDENTIAL PROPERTY (3,950 SF - 4,199 SF)	\$8,874 per Dwelling Unit
9	DETACHED RESIDENTIAL PROPERTY (3,700 SF - 3,949 SF)	\$8,587 per Dwelling Unit

Land Use Class	Description	Maximum Special Tax
10	DETACHED RESIDENTIAL PROPERTY (3,450 SF - 3,699 SF)	\$8,352 per Dwelling Unit
11	DETACHED RESIDENTIAL PROPERTY (3,200 SF - 3,449 SF)	\$7,479 per Dwelling Unit
12	DETACHED RESIDENTIAL PROPERTY (2,950 SF - 3,199 SF)	\$6,934 per Dwelling Unit
13	DETACHED RESIDENTIAL PROPERTY (2,700 SF - 2,949 SF)	\$6,474 per Dwelling Unit
14	DETACHED RESIDENTIAL PROPERTY (2,450 SF - 2,699 SF)	\$5,902 per Dwelling Unit
15	DETACHED RESIDENTIAL PROPERTY (2,200 SF - 2,449 SF)	\$5,380 per Dwelling Unit
16	DETACHED RESIDENTIAL PROPERTY (1,950 SF - 2,199 SF)	\$4,981 per Dwelling Unit
17	DETACHED RESIDENTIAL PROPERTY (1,700 SF - 1,949 SF)	\$4,443 per Dwelling Unit
18	DETACHED RESIDENTIAL PROPERTY (< 1,700 SF)	\$4,385 per Dwelling Unit
19	ATTACHED RESIDENTIAL PROPERTY ($\Rightarrow$ 2,600 SF)	\$5,064 per Dwelling Unit
20	ATTACHED RESIDENTIAL PROPERTY (2,400 SF – 2,599 SF)	\$4,755 per Dwelling Unit
21	ATTACHED RESIDENTIAL PROPERTY (2,200 SF – 2,399 SF)	\$4,447 per Dwelling Unit
22	ATTACHED RESIDENTIAL PROPERTY (2,000 SF – 2,199 SF)	\$4,138 per Dwelling Unit
23	ATTACHED RESIDENTIAL PROPERTY (1,800 SF – 1,999 SF)	\$3,829 per Dwelling Unit
24	ATTACHED RESIDENTIAL PROPERTY (1,600 SF – 1,799 SF)	\$3,597 per Dwelling Unit
25	ATTACHED RESIDENTIAL PROPERTY (1,400 SF – 1,599 SF)	\$3,319 per Dwelling Unit
26	ATTACHED RESIDENTIAL PROPERTY (1,200 SF – 1,399 SF)	\$2,902 per Dwelling Unit
27	ATTACHED RESIDENTIAL PROPERTY (1,000 SF – 1,199 SF)	\$2,594 per Dwelling Unit
28	ATTACHED RESIDENTIAL PROPERTY (800 SF – 999 SF)	\$2,285 per Dwelling Unit
29	ATTACHED RESIDENTIAL PROPERTY (< 800 SF)	\$2,208 per Dwelling Unit
30	AFFORDABLE HOUSING, MODERATE AFFORDABLE UNITS, AND MODERATE AFFORDABLE SENIOR UNITS	\$0 per Dwelling Unit
31	NON-RESIDENTIAL - COMMERCIAL PROPERTY	\$1.50 per square foot of Non-Residential Floor Area or \$20,713 per Acre, when applied, whichever is greater
32	NON-RESIDENTIAL– INDUSTRIAL PROPERTY	\$1.50 per square foot of Non-Residential Floor Area or \$21,236 per Acre, when applied, whichever is greater

Land Use Class	Description	Maximum Special Tax
33	NON-RESIDENTIAL– INSTITUTIONAL PROPERTY	\$1.50 per square foot of Non-Residential Floor Area or \$23,588 per Acre, when applied, whichever is greater
34	NON-RESIDENTIAL – OFFICE PROPERTY	\$1.50 per square foot of Non-Residential Floor Area or \$21,301 per Acre, when applied, whichever is greater
35	NON-RESIDENTIAL – AUTO CENTER	\$5.02 per square foot of Non-Residential Floor Area or \$18,368 per Acre, when applied, whichever is greater
36	OTHER NON-RESIDENTIAL PROPERTY	\$1.50 per square foot of Non-Residential Floor Area or \$20,125 per Acre, when applied, whichever is greater

(ii) **Increase in the Maximum Special Tax**

The Fiscal Year 2013-2014 Maximum Special Tax, identified in Table 1 above, as such Table may be amended and restated in full pursuant to this Rate and Method of Apportionment, shall increase thereafter (i) commencing on July 1, 2014 and on July 1 of each Fiscal Year thereafter through the Fiscal Year in which the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds were sold occurs, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year; and (ii) commencing in the Fiscal Year following the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds were sold, by an amount equal to three percent (3%) of the Maximum Special Tax as determined following the partial termination of the Special Tax as set forth in Section J, and on July 1 of each Fiscal Year thereafter by an amount equal to three percent (3%) of the amount in effect for the previous Fiscal Year.

(iii) **Multiple Land Use Classes**

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

(b) **Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property**

(i) **Intermediate Maximum Special Tax**

The Fiscal Year 2013-2014 Intermediate Maximum Special Tax for each Assessor's Parcel of Final Mapped Property and Undeveloped Property shall be \$35,999 per Acre, and shall increase thereafter, commencing on July 1, 2014 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Intermediate Maximum Special Tax for the previous Fiscal Year.

(ii) **Maximum Special Tax**

The Fiscal Year 2013-2014 Maximum Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$56,468 per Acre, and shall increase thereafter, commencing on July 1, 2014 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for the previous Fiscal Year.

D. BUYDOWN OF OUTSTANDING BONDS

All of the requirements of this Section D, which describes the need for a buydown of Outstanding Bonds ("Buydown") that may result from a change in development as determined pursuant to this Section D, shall only apply after the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds. Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the terms of the Buydown shall not apply. The terms of the Buydown shall not apply to any Subordinate CFD No. 2013-3 (IA No. 1) Bonds.

The following additional definitions apply to this Section D:

"Buydown Requirement" means the total amount needed to be collected to calculate and prepay Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds necessary to be prepaid in order to authorize (i) the issuance of residential building permits, or (ii) the approval of a Final Subdivision for non-residential development listed in a request for a Letter of Compliance, as calculated under this Section D.

"Certificate of Satisfaction of Buydown" means a certificate from the CFD Administrator stating that the property described in such certificate has met the Buydown Requirement for such property as calculated under this Section D.

"Letter of Compliance" means a letter from the CFD Administrator authorizing (i) the issuance of residential building permits, or (ii) the approval of a Final Subdivision for non-residential

development based on the prior submittal of a request for a Letter of Compliance by a property owner.

"Update Property" means an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a building permit has been issued after May 1 of the Fiscal Year preceding the current Fiscal Year. For purposes of all calculations in this Section D, Update Property shall be taxed as if it were already Developed Property during the current Fiscal Year.

1. Request for Letter of Compliance

(a) Residential Development

After the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, a property owner shall, as a precondition to the issuance of a building permit for construction of any residential development for a specific Assessor's Parcel or lot, submit a Letter of Compliance for the construction of the development on such Assessor's Parcel or lot. If a Letter of Compliance has not yet been issued, the property owner must first request a Letter of Compliance from the CFD Administrator. The request from the property owner shall contain a list of all building permits for which the property owner is requesting a Letter of Compliance. The property owner shall also submit the Assessor's Parcels or tract and lot numbers on which the construction is to take place, and the Residential Floor Area for each residential Dwelling Unit associated with each prospective building permit.

(b) Non-Residential Development

After the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, a property owner shall, as a precondition to the approval of a Final Subdivision which includes development of any non-residential property, submit a Letter of Compliance for the development of the non-residential property on such Final Subdivision. If a Letter of Compliance has not yet been issued, the property owner must first request a Letter of Compliance from the CFD Administrator. The request from the property owner shall contain the final map, parcel map, or lot line adjustment for which the property owner is requesting a Letter of Compliance. The property owner shall also submit the Assessor's Parcels or tract and lot numbers on which non-residential development is to take place.

2. Issuance of Letter of Compliance

(a) Residential Development

The number of residential Dwelling Units by Land Use Class, as listed in Table 2 below, shall be determined by the CFD Administrator prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds to reflect the current development plan for CFD No. 2013-3 (IA No. 1).

For property in Land Use Classes 1-30, upon the receipt of a request for a Letter of Compliance, the CFD Administrator shall assign each building permit identified in such request to Land Use Classes 1 through 30 as listed in Table 2 below based on the type of use and, if applicable, the Residential Floor Area identified for each such building permit. If the CFD Administrator determines (i) that the number of building permits requested for a Land Use Class, plus those building permits previously issued for such Land Use Class, does not exceed the total number of

residential Dwelling Units for such Land Use Class identified in Table 2 below, and (ii) that the total number of residential Dwelling Units anticipated to be constructed pursuant to the current development plan for CFD No. 2013-3 (IA No. 1) shall not be less than the Total Number of Expected Dwelling Units shown in Table 2, then a Letter of Compliance shall be submitted to the property owner by the CFD Administrator authorizing the issuance of the requested building permits for the subject property. This Letter of Compliance shall be submitted to the property owner by the CFD Administrator within ten days of the submittal of the request for a Letter of Compliance by the property owner. However, should (i) the building permits requested for such Land Use Class, plus those previously issued for such Land Use Class, cause the total number of residential Dwelling Units within such Land Use Class to exceed the number of residential Dwelling Units for such Land Use Class identified in Table 2 below, or (ii) the CFD Administrator determines that changes in the development plan may cause a decrease in the number of residential Dwelling Units within CFD No. 2013-3 (IA No. 1) to below the Total Number of Expected Dwelling Units shown in Table 2, then a Letter of Compliance will not be issued and the CFD Administrator will determine if a Buydown shall be required.

(b) Non-Residential Development

The Acreage anticipated for the development of Non-Residential Property, as listed in Table 2 below, shall be determined by the CFD Administrator prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds to reflect the current development plan for CFD No. 2013-3 (IA No. 1).

For property in Land Use Classes 31-36, upon the receipt of a request for a Letter of Compliance, the CFD Administrator shall identify the Acreage of the proposed Non-Residential Property within the Final Subdivision on which such Non-Residential Property is to be located. If the CFD Administrator determines that the Acreage anticipated for the development of Non-Residential Property does not exceed the Total Expected Non-Residential Acreage identified in Table 2 for Land Use Classes 31 through 36, then a Letter of Compliance shall be submitted to the property owner by the CFD Administrator authorizing the approval of the Final Subdivision. This Letter of Compliance shall be submitted to the property owner by the CFD Administrator within ten days of the submittal of the request for a Letter of Compliance by the property owner. However, should the CFD Administrator determine that the changes in the development plan may cause a change to the Acreage anticipated for the development of Non-Residential Property within CFD No. 2013-3 (IA No. 1) to anything greater than the Total Expected Non-Residential Acreage identified in Table 2, then a Letter of Compliance will not be issued and the CFD Administrator will determine if a Buydown shall be required.

TABLE 2

**Expected Residential Dwelling Units per Land Use Class and Non-Residential Acreage
Improvement Area No. 1 of CFD No. 2013-3**

Land Use Class	Description	Expected Dwelling Units/ Acreage
1	DETACHED RESIDENTIAL PROPERTY ($\Rightarrow$ 5,700 SF)	TBD
2	DETACHED RESIDENTIAL PROPERTY (5,450 SF - 5,699 SF)	TBD
3	DETACHED RESIDENTIAL PROPERTY (5,200 SF - 5,449 SF)	TBD
4	DETACHED RESIDENTIAL PROPERTY (4,950 SF - 5,199 SF)	TBD
5	DETACHED RESIDENTIAL PROPERTY (4,700 SF - 4,949 SF)	TBD
6	DETACHED RESIDENTIAL PROPERTY (4,450 SF - 4,699 SF)	TBD
7	DETACHED RESIDENTIAL PROPERTY (4,200 SF - 4,449 SF)	TBD
8	DETACHED RESIDENTIAL PROPERTY (3,950 SF - 4,199 SF)	TBD
9	DETACHED RESIDENTIAL PROPERTY (3,700 SF - 3,949 SF)	TBD
10	DETACHED RESIDENTIAL PROPERTY (3,450 SF - 3,699 SF)	TBD
11	DETACHED RESIDENTIAL PROPERTY (3,200 SF - 3,449 SF)	TBD
12	DETACHED RESIDENTIAL PROPERTY (2,950 SF - 3,199 SF)	TBD
13	DETACHED RESIDENTIAL PROPERTY (2,700 SF - 2,949 SF)	TBD
14	DETACHED RESIDENTIAL PROPERTY (2,450 SF - 2,699 SF)	TBD
15	DETACHED RESIDENTIAL PROPERTY (2,200 SF - 2,449 SF)	TBD
16	DETACHED RESIDENTIAL PROPERTY (1,950 SF - 2,199 SF)	TBD
17	DETACHED RESIDENTIAL PROPERTY (1,700 SF - 1,949 SF)	TBD
18	DETACHED RESIDENTIAL PROPERTY ($<$ 1,700 SF)	TBD
19	ATTACHED RESIDENTIAL PROPERTY ($\Rightarrow$ 2,600 SF)	TBD
20	ATTACHED RESIDENTIAL PROPERTY (2,400 SF - 2,599 SF)	TBD
21	ATTACHED RESIDENTIAL PROPERTY (2,200 SF - 2,399 SF)	TBD
22	ATTACHED RESIDENTIAL PROPERTY (2,000 SF - 2,199 SF)	TBD
23	ATTACHED RESIDENTIAL PROPERTY (1,800 SF - 1,999 SF)	TBD
24	ATTACHED RESIDENTIAL PROPERTY (1,600 SF - 1,799 SF)	TBD
25	ATTACHED RESIDENTIAL PROPERTY (1,400 SF - 1,599 SF)	TBD
26	ATTACHED RESIDENTIAL PROPERTY (1,200 SF - 1,399 SF)	TBD
27	ATTACHED RESIDENTIAL PROPERTY (1,000 SF - 1,199 SF)	TBD
28	ATTACHED RESIDENTIAL PROPERTY (800 SF - 999 SF)	TBD
29	ATTACHED RESIDENTIAL PROPERTY ($<$ 800 SF)	TBD
30	AFFORDABLE HOUSING, MODERATE AFFORDABLE UNITS, AND MODERATE AFFORDABLE SENIOR UNITS	TBD

Land Use Class	Description	Expected Dwelling Units/Acreage
	Total Number of Expected Dwelling Units (Land Use Classes 1-30)	TBD
31	NON-RESIDENTIAL - COMMERCIAL PROPERTY	TBD
32	NON-RESIDENTIAL- INDUSTRIAL PROPERTY	TBD
33	NON-RESIDENTIAL- INSTITUTIONAL PROPERTY	TBD
34	NON-RESIDENTIAL – OFFICE PROPERTY	TBD
35	NON-RESIDENTIAL – AUTO CENTER	TBD
36	OTHER NON-RESIDENTIAL PROPERTY	TBD
	Total Expected Non-Residential Acreage (Land Use Classes 31-36)	TBD

3. Calculation of Buydown

If a Buydown calculation is required as determined by the CFD Administrator pursuant to paragraph 2 above, the CFD Administrator shall review the current development plan for CFD No. 2013-3 (IA No. 1) in consultation with the current property owners for all remaining Final Mapped Property and Undeveloped Property in CFD No. 2013-3 (IA No. 1), and shall prepare an updated version of Table 2 identifying the revised number of residential Dwelling Units anticipated within each Land Use Class and the revised Acreage anticipated for the development of Non-Residential Property, as applicable. The CFD Administrator shall not be responsible for any delays in preparing the updated Table 2 that result from a refusal on the part of one or more current property owners of Final Mapped Property or Undeveloped Property to provide information on their future development.

The CFD Administrator shall then review the updated Table 2 and determine the Buydown Requirement, if any, to be applied to the property identified in the request for Letter of Compliance to assure CFD No. 2013-3 (IA No. 1)'s ability to levy Special Taxes equal to at least the Debt Service Coverage times the debt service necessary to support the Outstanding Bonds. The calculations shall be undertaken by the CFD Administrator, based on the data in the updated Table 2, as follows:

- Step 1. Compute the sum of the Special Taxes authorized to be levied on all Developed Property and Update Property within CFD No. 2013-3 (IA No. 1), plus the sum of the Special Taxes authorized to be levied on all future development as identified in the current development plan assuming buildout, as determined by the CFD Administrator in consultation with the property owner(s).

- Step 2. Determine the amount of Special Taxes equal to the Debt Service Coverage times the debt service necessary to support the Outstanding Bonds.
- Step 3. If the total sum computed pursuant to Step 1 is greater than or equal to the amount computed pursuant to Step 2, then no Buydown will be required and a Letter of Compliance shall be issued by the CFD Administrator to the property owner requesting such Letter of Compliance for all of the building permits and/or Final Subdivisions currently being requested. If the total sum computed pursuant to Step 1 is less than the amount computed pursuant to Step 2, then continue to Step 4.
- Step 4. Determine the Special Tax shortfall by subtracting the total sum computed pursuant to Step 1 from the amount computed pursuant to Step 2. Divide this difference by the amount computed pursuant to Step 2.
- Step 5. Multiply the quotient computed pursuant to Step 4 by the Outstanding Bonds and round up to the nearest increment of \$5,000 to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
- Step 6. Multiply the Bond Redemption Amount computed pursuant to Step 5 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 from the first bond interest and/or principal payment date following the current Fiscal Year until the redemption date for the Outstanding Bonds ("Defeasance Amount").
- Step 8. The administrative fees and expenses of CFD No. 2013-3 (IA No. 1) are as calculated by the CFD Administrator and include the costs of computation of the Buydown Requirement, the costs to invest the Buydown Requirement proceeds and the costs of redeeming Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds (the "Administrative Fees and Expenses").
- Step 9. The Buydown Requirement is equal to the sum of the amounts computed pursuant to Steps 5, 6, 7 and 8 (the "Buydown Requirement").
- Step 10. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as specified in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the Buydown, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the Buydown from the balance in the reserve fund on the Buydown date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Outstanding Bonds is below 100% of the reserve requirement (as defined in the Indenture).

The Buydown Requirement computed under Step 9 shall be billed directly to the property owner of each Assessor's Parcel identified in the request for Letter of Compliance and shall be due within 30 days of the billing date. If the Buydown Requirement is not paid within 45 days of the billing date, a Letter of Compliance will not be issued to the property owner by the CFD Administrator and the authorization of the requested building permits (for residential development) or Final Subdivision (for non-residential development) for the subject property will not be approved until such Buydown Requirement is paid. Upon receipt of the Buydown Requirement, the CFD Administrator shall issue a Letter of Compliance and a Certificate of Satisfaction of Buydown for the subject property. The Reserve Fund Credit calculated pursuant to Step 10 above shall be credited to the property owner of each Assessor's Parcel identified in the request for Letter of Compliance once the CFD Administrator has confirmed receipt of all Special Taxes due for such property owner(s) in the Fiscal Year the Buydown Requirement was made.

4. Costs and Expenses Related to Implementation of Buydown

The costs of the CFD Administrator or other consultants required to review the application for building permits (for residential development) or a Final Subdivision (for non-residential development) and issue Letters of Compliance, as identified in Sections D.1 and D.2, above, shall be paid out of the administrative expenses account as established in the Indenture. The property owner of each Assessor's Parcel identified in the request for Letter of Compliance shall pay as part of the Buydown Requirement (as set forth in Step 8 in Section D.3) all costs of the CFD Administrator or other consultants required to calculate the Buydown Requirement, issue Letters of Compliance and any other actions required under Section D.3. If a Buydown does not occur, such costs will be billed to the property owner and such payment shall be due 30 days after receipt of the invoice by the property owner. A deposit may be required by the CFD Administrator prior to undertaking work related to the Buydown pursuant to Section D.3.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

1. Annual Levy

Commencing with Fiscal Year 2013-2014 and for each following Fiscal Year, the Council shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Maximum Special Tax for Developed Property.

Second: Determine the Final Mapped Property/Undeveloped Property Special Tax Requirement and Proportionately levy the Special Tax on each Assessor's Parcel of Final Mapped Property until the amount levied on Final Mapped Property is equal to the lesser of (i) the Final Mapped Property/Undeveloped Property Special Tax Requirement, or (ii) 100% of the Intermediate Maximum Special Tax for Final Mapped Property.

Third: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until the amount levied on Undeveloped Property is equal to the lesser of (i) the Final Mapped Property/Undeveloped Property Special Tax Requirement less the amount levied pursuant to the

second step above, or (ii) 100% of the Intermediate Maximum Special Tax for Undeveloped Property.

Fourth: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Special Tax Requirement after the first three steps have been completed, then the Special Tax levy on each Assessor's Parcel of Final Mapped Property and Undeveloped Property shall be increased in equal percentages from the Intermediate Special Tax up to 100% of the Maximum Special Tax for Final Mapped Property and Undeveloped Property until the Final Mapped Property/Undeveloped Property Special Tax Requirement is satisfied.

Fifth: If additional monies are needed to satisfy the Final Mapped Property/Undeveloped Property Special Tax Requirement after the first four steps have been completed, then if required to satisfy the Indenture, a special tax shall be levied on each Assessor's Parcel of taxable property located within the Supplemental Improvement Areas pledged to CFD No. 2013-3 (IA No. 1) Bonds, based on the rate and method of apportionment of special taxes for these Supplemental Improvement Areas.

Sixth: Determine the Taxable Property Owner Association Property/Taxable Public Property Special Tax Requirement and Proportionately levy the Special Tax on each Assessor's Parcel of Taxable Property Owner Association Property until the amount levied on Taxable Property Owner Association Property is equal to the lesser of (i) the Taxable Property Owner Association Property/Taxable Public Property Special Tax Requirement or (ii) 100% of the Maximum Special Tax for Taxable Property Owner Association Property.

Seventh: If additional monies are needed to satisfy the Taxable Property Owner Association Property/Taxable Public Property Special Tax Requirement after the sixth step has been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until the amount levied on Taxable Public Property is equal to the lesser of (i) the Taxable Property Owner Association Property/Taxable Public Property Special Tax Requirement less the amount levied pursuant to the sixth step above, or (ii) 100% of the Maximum Special Tax for Taxable Public Property.

F. EXEMPTIONS

No Special Tax shall be levied on up to (i) 25.00 Acres of Property Owner Association Property in CFD No. 2013-3 (IA No. 1), (ii) 61.00 Acres of Public Property in CFD No. 2013-3 (IA No. 1), and (iii) 9.00 Acres of Church Property in CFD No. 2013-3 (IA No. 1). No Special Tax shall be levied on Affordable Housing, Moderate Affordable Units, and Moderate Affordable Senior Units provided that the number of such Dwelling Units in CFD No. 2013-3 (IA No. 1) does not cause the total of such Dwelling Units within CFD No. 2013-3 to exceed 544 Dwelling Units. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2013-3 (IA No. 1) becomes Public Property, Property Owner Association Property, Church Property, Affordable Housing, Moderate Affordable Units, or Moderate Affordable Senior Units. However, should an Assessor's Parcel no longer be classified as Public Property, Property Owner Association Property, Church Property, Affordable Housing, Moderate Affordable Units, or Moderate Affordable Senior Units, it will, from that point forward, be subject to the Special Tax.

Property Owner Association Property or Public Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed

Proportionately as part of the sixth step and seventh step in Section E above, respectively, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

Church Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as Other Non-Residential Property in Section E above, at up to 100% of the applicable Maximum Special Tax for Other Non-Residential Property.

Affordable Housing, Moderate Affordable Units, and Moderate Affordable Senior Units that are not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as Residential Property in Section E above, at up to 100% of the applicable Maximum Special Tax for the applicable Land Use Class 1-29, based on whether the Dwelling Unit is attached or detached and its square footage.

Notwithstanding the foregoing paragraphs, prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds and provided that the Special Taxes have not been pledged to the payment of Bond Costs for Other Improvement Area Bonds, if an Assessor's Parcel subject to the Special Tax becomes Public Property, the Assessor's Parcel shall be deemed Exempt Property and shall be exempt from the levy of the Special Tax so long as such Assessor's Parcel remains Public Property.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the City, through the CFD Administrator may (i) directly bill the Special Tax, and/or may collect Special Taxes at a different time or in a different manner if necessary to meet financial obligations or as otherwise required herein and (ii) may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels. All direct billings shall be due within 30 days of the billing date.

H. APPEALS AND INTERPRETATIONS

Any landowner who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to the CFD Administrator. The CFD Administrator shall review the appeal and if the City concurs, no refund shall be given at that time. However, the amount of the Special Tax levied shall be appropriately modified through an adjustment to the Special Tax levy in the following Fiscal Year. The CFD Administrator may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner appeals.

I. PREPAYMENT OF SPECIAL TAX

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2013-3 (IA No. 1) is permitted to prepay a portion of the Maximum Special Tax (the "Prepayable Portion of the Special Tax"). The obligation of the Assessor's Parcel to pay the Prepayable Portion of the Special Tax may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a building permit for construction has been issued after January 1, 2013, and 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 fully or partially prepay the Prepayable Portion of the Special Tax shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds, prepayment must be made not less than 30 days prior to a date that notice of redemption of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture. No portion of the Maximum Special Tax other than the Prepayable Portion of the Special Tax may be prepaid. Only Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds may be redeemed as the result of any prepayment in this Section I. Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the percentages identified in Section I (in connection with the calculation of the Prepayable Portion of the Residential Property Special Tax and the Prepayable Portion of the Non-Residential Property Special Tax) and Section J may be changed to reflect changes in development, without the need for any proceedings to make changes permitted under the Act.

1. Full Prepayment of the Prepayable Portion of the Special Tax

The full Prepayment Amount of the Prepayable Portion of the Special Tax shall be the Prepayment Amount identified in Section (a) below for Residential Property, and the Prepayment Amount identified in Section (b) below for Non-Residential Property.

(a) Residential Property

As of the proposed date of prepayment, the full Prepayment Amount for Residential Property Special Taxes shall be determined by application of the following steps:

- Step 1. Determine the number of future years remaining until the Fiscal Year in which the fortieth anniversary of the date on which the first issue of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds was sold occurs, not including the current Fiscal Year. If Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds have not yet been issued, the number shall be 40.
- Step 2. Determine the Maximum Special Tax being levied in the current Fiscal Year on the Assessor's Parcel prepaying the Special Tax (under the assumption that the Assessor's Parcel is Developed Property).
- Step 3. Multiply the Maximum Special Tax calculated pursuant to Step 2 by 59.86% (the "Prepayable Portion of the Residential Property Special Tax").
- Step 4. Determine the amount of Special Tax levied in the current Fiscal Year on such Assessor's Parcel which has not yet been paid and multiply this amount by 59.86%.

Step 5. The Prepayment Amount determined under this Section (a) shall be computed by calculating the sum of the following: (i) the net present value of the flow of annual revenues from the Prepayable Portion of the Residential Property Special Tax as determined under Step 3, for the number of years identified in Step 1, escalated annually by 2.0%, using a discount rate equal to the Discount Rate; and (ii) the unpaid current Fiscal Year's Prepayable Portion of the Residential Property Special Tax as determined under Step 4 (collectively, the "Prepayment Amount").

(b) Non-Residential Property

As of the proposed date of prepayment, the full Prepayment Amount for Non-Residential Property Special Taxes shall be determined by application of the following steps:

Step 1. Determine the number of future years remaining until the Fiscal Year in which the fortieth anniversary of the date on which the first issue of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds was sold occurs, not including the current Fiscal Year. If Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds have not yet been issued, the number shall be 40.

Step 2. Determine the Maximum Special Tax being levied in the current Fiscal Year on the Assessor's Parcel prepaying the Special Tax (under the assumption that the Assessor's Parcel is Developed Property).

Step 3. Multiply the Maximum Special Tax calculated pursuant to Step 2 by 61.39% (the "Prepayable Portion of the Non-Residential Special Tax").

Step 4. Determine the amount of Special Tax levied in the current Fiscal Year on such Assessor's Parcel which has not yet been paid and multiply this amount by 61.39%.

Step 5. The Prepayment Amount determined under this Section (b) shall be computed by calculating the sum of the following: (i) the net present value of the flow of annual revenues from the Prepayable Portion of the Non-Residential Special Tax as determined under Step 3, for the number of year identified in Step 1, escalated annually by 2.0%, using a discount rate equal to the Discount Rate; and (ii) the unpaid current Fiscal Year's Prepayable Portion of the Non-Residential Special Tax as determined under Step 4 (collectively, the "Prepayment Amount").

2. Partial Prepayment of the Prepayable Portion of the Special Tax

The amount of the partial prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = PE \times F$$

These terms have the following meaning:

PP = the Partial Prepayment Amount of the Prepayable Portion of the Special Tax

PE = the Prepayment Amount of the Prepayable Portion of the Special Tax calculated according to Section I.1.(a) (for Residential Property) or Section I.1.(b) (for Non-Residential Property).

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Prepayable Portion of the Special Tax.

3. General Provisions Applicable to Prepayment

(a) Use of Prepayments

Subsequent to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the Prepayment Amount of the Prepayable Portion of the Special Tax shall be applied in the following order of priority: (i) to be deposited into specific funds established under the Indenture, to fully or partially retire as many Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds as possible (or as many Other Improvement Area Bonds as possible, if the Special Taxes secure Other Improvement Area Bonds), and, if amounts are less than \$5,000, to make debt service payments on the Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds (or Other Improvement Area Bonds if the Special Taxes secure Other Improvement Area Bonds), (ii) to finance Group A Facilities and/or Group B Facilities, as identified in the Amended and Restated Development Agreement, and (iii) to be remitted to the City and used for any Authorized Facilities or Authorized Services in accordance with the Amended and Restated Development Agreement. Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the Prepayment Amount of the Prepayable Portion of the Special Tax shall be applied in the following order of priority: (i) to finance Group A and/or Group B Facilities, as identified in the Amended and Restated Development Agreement, and (ii) to be remitted to the City and used for any Authorized Facilities or Authorized Services in accordance with the Amended and Restated Development Agreement.

(b) Full Prepayment of the Prepayable Portion of the Special Tax

Upon confirmation of the payment of the current Fiscal Year's entire Prepayable Portion of the Special Tax, the CFD Administrator shall remove the current Fiscal Year's Prepayable Portion of the Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in accordance with Section I.1, the CFD Administrator shall indicate in the records of CFD No. 2013-3 (IA No. 1) that there has been a prepayment of the Prepayable Portion of the Special Tax and that a portion of the Maximum Special Tax with respect to such Assessor's Parcel, equal to 40.14% of the Maximum Special Tax for Residential Property and 38.61% of the Maximum Special Tax for Non-Residential Property, shall continue to be levied on such Assessor's Parcel pursuant to Section E.

(c) Partial Prepayment of the Prepayable Portion of the Special Tax

Upon confirmation of the payment of a portion of the current Fiscal Year's Prepayable Portion of the Special Tax, the CFD Administrator shall remove a portion of the current Fiscal Year's Prepayable Portion of the Special Tax levy for such Assessor's Parcel from the County tax rolls equal to that amount included in the partial prepayment for such Assessor's Parcel determined in Section I.2. With respect to any Assessor's Parcel that is partially prepaid in accordance with Section I.2, the CFD Administrator shall indicate in the records of CFD No. 2013-3 (IA No. 1) that there has been a partial prepayment of the Prepayable Portion of the Special Tax and that a portion of the Maximum Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage $[1.00 - (.5986 \times F)]$ multiplied by the Maximum Special Tax for Residential Property and $[1.00 - (.6139 \times F)]$ multiplied by the Maximum Special Tax for Non-Residential Property shall continue to be levied on such Assessor's Parcel pursuant to Section E.

(d) Debt Service Coverage

Notwithstanding the foregoing, no prepayment of the Prepayable Portion of the Special Tax shall be allowed unless, at the time of such proposed prepayment, the Special Tax that may be levied on Taxable Property within CFD No. 2013-3 (IA No. 1) in all Fiscal Years (after excluding 25.00 Acres of Property Owner Association Property, 61.00 Acres of Public Property, 9.00 Acres of Church Property, and the expected number of Affordable Property, Moderate Affordable Units, and Moderate Affordable Senior Units that will be Exempt Property in CFD No. 2013-3 (IA No. 1) as set forth in Section F), both prior to and after the proposed prepayment, is at least equal to the Debt Service Coverage times the debt service necessary to support the remaining Outstanding Bonds.

J. TERM OF SPECIAL TAX

65.84% of the Maximum Special Tax on Residential Property and 67.53% of the Maximum Special Tax on Non-Residential Property shall terminate and no longer be levied or collected pursuant to this Rate and Method of Apportionment on the date that is the later of (i) the Fiscal Year immediately following the fortieth anniversary of the date on which the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds were sold or (ii) Fiscal Year 2052-2053. The remaining portion of the Special Tax for both Residential Property and Non-Residential Property shall be levied into perpetuity.

Prior to the issuance of the first series of Non-Subordinate CFD No. 2013-3 (IA No. 1) Bonds, the termination percentages listed immediately above may be changed to reflect changes in development, without the need for any proceedings to make changes permitted under the Act.

K. NO EXTENSION OR MODIFICATION OF AMENDED AND RESTATED DEVELOPMENT AGREEMENT

Notwithstanding any reference to the Amended and Restated Development Agreement, nothing herein shall incorporate the Amended and Restated Development Agreement in to the Rate and Method of Apportionment, extend the term of the Amended and Restated Development Agreement, as defined therein, and/or amend or modify the provisions thereof.

EXHIBIT A

CERTIFICATE TO AMEND SPECIAL TAX

CITY OF IRVINE AND CFD No. 2013-3 (IA No. 1) CERTIFICATE

1. Pursuant to Section C of the Rate and Method of Apportionment, as attached to the Notice of Special Tax Lien, recorded in the Official Records of the County of Orange as Instrument No. XXXXXX on MM/DD/YYYY, the City of Irvine ("City") and City of Irvine Community Facilities District No. 2013-3 ("CFD No. 2013-3 (IA No. 1)") hereby reduce some or all of the Maximum Special Taxes for Residential Property or the Special Taxes for Non-Residential Property set forth in Table 1 of the Rate and Method of Apportionment for CFD No. 2013-3 (IA No. 1).

The information in Table 1 relating to the Fiscal Year 2013-2014 Maximum Special Tax for Developed Property within CFD No. 2013-3 (IA No. 1) shall be amended and restated in full as follows:

Land Use Class	Description	Maximum Special Tax
1	DETACHED RESIDENTIAL PROPERTY ($\geq$ 5,700 SF)	\$[] per Dwelling Unit
2	DETACHED RESIDENTIAL PROPERTY (5,450 SF - 5,699 SF)	\$[] per Dwelling Unit
3	DETACHED RESIDENTIAL PROPERTY (5,200 SF - 5,449 SF)	\$[] per Dwelling Unit
4	DETACHED RESIDENTIAL PROPERTY (4,950 SF - 5,199 SF)	\$[] per Dwelling Unit
5	DETACHED RESIDENTIAL PROPERTY (4,700 SF - 4,949 SF)	\$[] per Dwelling Unit
6	DETACHED RESIDENTIAL PROPERTY (4,450 SF - 4,699 SF)	\$[] per Dwelling Unit
7	DETACHED RESIDENTIAL PROPERTY (4,200 SF - 4,449 SF)	\$[] per Dwelling Unit
8	DETACHED RESIDENTIAL PROPERTY (3,950 SF - 4,199 SF)	\$[] per Dwelling Unit
9	DETACHED RESIDENTIAL PROPERTY (3,700 SF - 3,949 SF)	\$[] per Dwelling Unit
10	DETACHED RESIDENTIAL PROPERTY (3,450 SF - 3,699 SF)	\$[] per Dwelling Unit
11	DETACHED RESIDENTIAL PROPERTY (3,200 SF - 3,449 SF)	\$[] per Dwelling Unit
12	DETACHED RESIDENTIAL PROPERTY (2,950 SF - 3,199 SF)	\$[] per Dwelling Unit
13	DETACHED RESIDENTIAL PROPERTY (2,700 SF - 2,949 SF)	\$[] per Dwelling Unit
14	DETACHED RESIDENTIAL PROPERTY (2,450 SF - 2,699 SF)	\$[] per Dwelling Unit
15	DETACHED RESIDENTIAL PROPERTY (2,200 SF - 2,449 SF)	\$[] per Dwelling Unit
16	DETACHED RESIDENTIAL PROPERTY (1,950 SF - 2,199 SF)	\$[] per Dwelling Unit
17	DETACHED RESIDENTIAL PROPERTY (1,700 SF - 1,949 SF)	\$[] per Dwelling Unit
18	DETACHED RESIDENTIAL PROPERTY ($<$ 1,700 SF)	\$[] per Dwelling Unit
19	ATTACHED RESIDENTIAL PROPERTY ($\geq$ 2,600 SF)	\$[] per Dwelling Unit
20	ATTACHED RESIDENTIAL PROPERTY (2,400 SF - 2,599 SF)	\$[] per Dwelling Unit
21	ATTACHED RESIDENTIAL PROPERTY (2,200 SF - 2,399 SF)	\$[] per Dwelling Unit

Land Use Class	Description	Maximum Special Tax
22	ATTACHED RESIDENTIAL PROPERTY (2,000 SF – 2,199 SF)	\$[] per Dwelling Unit
23	ATTACHED RESIDENTIAL PROPERTY (1,800 SF – 1,999 SF)	\$[] per Dwelling Unit
24	ATTACHED RESIDENTIAL PROPERTY (1,600 SF – 1,799 SF)	\$[] per Dwelling Unit
25	ATTACHED RESIDENTIAL PROPERTY (1,400 SF – 1,599 SF)	\$[] per Dwelling Unit
26	ATTACHED RESIDENTIAL PROPERTY (1,200 SF – 1,399 SF)	\$[] per Dwelling Unit
27	ATTACHED RESIDENTIAL PROPERTY (1,000 SF – 1,199 SF)	\$[] per Dwelling Unit
28	ATTACHED RESIDENTIAL PROPERTY (800 SF – 999 SF)	\$[] per Dwelling Unit
29	ATTACHED RESIDENTIAL PROPERTY (< 800 SF)	\$[] per Dwelling Unit
30	AFFORDABLE HOUSING, MODERATE AFFORDABLE UNITS, AND MODERATE AFFORDABLE SENIOR UNITS	\$0 per Dwelling Unit
31	NON-RESIDENTIAL - COMMERCIAL PROPERTY	\$__ per square foot of Non-Residential Floor Area or \$__ per Acre, when applied, whichever is greater
32	NON-RESIDENTIAL- INDUSTRIAL PROPERTY	\$__ per square foot of Non-Residential Floor Area or \$__ per Acre, when applied, whichever is greater
33	NON-RESIDENTIAL- INSTITUTIONAL PROPERTY	\$__ per square foot of Non-Residential Floor Area or \$__ per Acre, when applied, whichever is greater
34	NON-RESIDENTIAL – OFFICE PROPERTY	\$__ per square foot of Non-Residential Floor Area or \$__ per Acre, when applied, whichever is greater
35	NON-RESIDENTIAL – AUTO CENTER	\$__ per square foot of Non-Residential Floor Area or \$__ per Acre, when applied, whichever is greater
36	OTHER NON-RESIDENTIAL PROPERTY	\$__ per square foot of Non-Residential Floor Area or \$__ per Acre, when applied, whichever is greater

2. Upon execution of the certificate by the City and CFD No. 2013-3 (IA No. 1), the City shall cause an amended notice of special tax lien for CFD No. 2013-3 (IA No. 1) to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the County and CFD No. 2013-3 (IA No. 1), receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

CITY OF IRVINE

By: _____ Date: _____
CFD Administrator

CITY OF IRVINE COMMUNITY FACILITIES DISTRICT NO. 2013-3

By: _____ Date: _____

EXHIBIT B

ANNUAL AMOUNTS FOR CFD No. 2013-3

<u>Fiscal Year</u>	<u>Amount</u>
2013-2014	\$4,000,000
2014-2015	\$5,000,000
2015-2016	\$9,500,000
Each Fiscal Year Thereafter, Commencing in Fiscal Year 2016-2017	Increase Amount in Prior Fiscal Year by 3%.