RESOLUTION NO. 2020-25

RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE CITY OF ESCONDIDO (THE VILLAGES), TO AUTHORIZE THE LEVY OF A SPECIAL TAX TO PAY THE COSTS OF ACQUIRING OR CONSTRUCTING CERTAIN FACILITIES AND TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS

WHEREAS, the City of Escondido (the “City”) received a petition signed by the owner of more than ten percent of the land within the boundaries of the territory which is proposed for inclusion in a proposed community facilities district, which petition meets the requirements of Sections 53318 and 53319 of the Government Code of the State of California; and

WHEREAS, the City Council of the City (the “City Council”) desires to adopt this resolution of intention as provided in Section 53321 of the Government Code of the State of California to establish a community facilities district consisting of the territory described in Attachment “A” hereto and incorporated herein by this reference, which the City Council hereby determines shall be known as “Community Facilities District No. 2020-2 of the City of Escondido (The Villages)” (“Community Facilities District No. 2020-2” or the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code (the “Act”) to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property described in Attachment “B” hereto and incorporated herein by this reference, including all furnishings, equipment and supplies related thereto, which include certain facilities to be owned and operated by the City (the “City Facilities”), and certain facilities to be owned and operated by Rincon Del Diablo Municipal Water District (the “Water District Facilities,” and, together with the City Facilities, the “Facilities”), which Facilities have a useful life of five years or longer, and (2) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the District (the “Incidental Expenses”); and

WHEREAS, the City Council further intends to approve an estimate of the costs of the Facilities and the Incidental Expenses for Community Facilities District No. 2020-2; and

WHEREAS, it is the intention of the City Council to consider financing the Facilities and the Incidental Expenses through the formation of Community Facilities District No. 2020-2 and the issuance of bonded indebtedness in an amount not to exceed $16,000,000 with respect to the Facilities and the Incidental Expenses and the levy of a special tax to pay for the Facilities and the Incidental Expenses (the “Special Tax”) and to pay debt service on the bonded indebtedness, provided that the bond sale and such Special Tax levy are approved at an election to be held within the boundaries of Community Facilities District No. 2020-2;

WHEREAS, the City desires to enter into an Acquisition and Funding Agreement with Lennar Homes of California, Inc., a California corporation (the “Developer”), the form of which is on file with the City Clerk (the “Acquisition Agreement”), to provide for the financing of the City Facilities through the District;
WHEREAS, the City, the Developer and the Rincon Del Diablo Municipal Water District (the “Water District”) desire to enter into a Joint Community Facilities Agreement (the “Water District JCFA”) to provide for the financing of the Water District Facilities through the District;

BE IT RESOLVED by the City Council of the City of Escondido that:

SECTION 1. The above recitals are true and correct.

SECTION 2. A community facilities district is proposed to be established under the terms of the Act. It is further proposed that the boundaries of the community facilities district shall be the legal boundaries as described in Attachment “A” hereto, which boundaries shall, upon recordation of the boundary map for the District, include the entirety of any parcel subject to taxation by the District, and as depicted on the map of the proposed Community Facilities District No. 2020-2 which is on file with the City Clerk. The City Clerk is hereby directed to sign the original map of the District and record it with all proper endorsements thereon with the Assessor-County Clerk-Recorder of the County of San Diego within 15 days after the adoption of this resolution, all as required by Section 3111 of the Streets and Highways Code of the State of California.

SECTION 3. The name of the proposed community facilities district shall be “Community Facilities District No. 2020-2 of the City of Escondido (The Villages).”

SECTION 4. The Facilities proposed to be financed by Community Facilities District No. 2020-2 are public facilities as defined in the Act, which the City and the Water District, with respect to the City Facilities and the Water District Facilities, respectively, are authorized by law to construct, acquire, own and operate. The rate and method of apportionment and manner of collection of the Special Tax are described in detail in Attachment “C” attached hereto, which Attachment “C” is incorporated herein by this reference (the “Rate and Method”). The City Council hereby finds and determines that the description of the Facilities herein is sufficiently informative to allow taxpayers within the proposed District to understand what the funds of the District may be used to finance. Additionally, the City Council hereby finds that the Rate and Method allows each landowner within the District to estimate the maximum amount of the Special Tax that may be levied against each parcel.

The Incidental Expenses expected to be incurred include the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for the Facilities, the costs of forming the District, issuing bonds and levying and collecting the Special Tax within the proposed District, and any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities. The Facilities may be acquired from one or more of the property owners within the District as completed public improvements or may be constructed from bond or Special Tax proceeds.

All or a portion of the Facilities may be purchased with District funds as completed public facilities pursuant to Section 53314.9 or as discrete portions or phases pursuant to Section 53313.51 of the Act and/or constructed with District funds pursuant to Section 53316.2 of the Act. Any portion of the Facilities may be financed through a lease or lease-purchase arrangement if the District hereafter determines that such arrangement is of benefit to the District.

SECTION 5. Except where funds are otherwise available, it is the intention of the City Council to levy annually in accordance with the procedures contained in the Act the Special Tax,
secured by recordation of a continuing lien against all nonexempt real property in the District, sufficient to pay for: (i) the Facilities and Incidental Expenses; and (ii) the principal and interest and other periodic costs on bonds or other indebtedness issued to finance the Facilities and Incidental Expenses, including the establishment and replenishment of any reserve funds deemed necessary by the District, and any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash).

If the Special Tax is levied against any parcel used for private residential purposes, (i) the maximum Special Tax rate shall be specified as a dollar amount which shall be calculated and established not later than the date on which the parcel is first subject to the Special Tax because of its use for private residential purposes and shall not be increased over time, except as set forth in Attachment “C” hereto, (ii) such Special Tax not shall be levied on any parcel of Taxable Property (as defined in the Rate and Method) after the 50th year such parcel is first classified as Developed Property (as defined in the Rate and Method) and subject to the Special tax levy, as described in Attachment “C” hereto, and (iii) under no circumstances will the Special Tax levied in any fiscal year against any such parcel used for private residential uses be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than ten percent (10%) above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

The Special Tax is based on the expected demand that each parcel of real property within proposed Community Facilities District No. 2020-2 will place on the Facilities and on the benefit that each parcel derives from the right to access the Facilities. The City Council hereby determines that the proposed Facilities are necessary to meet the increased demand placed upon the City and the existing infrastructure in the City as a result of the development of the land proposed for inclusion in the District. The City Council hereby determines the rate and method of apportionment of the special tax with respect to the Special Tax set forth in Attachment “C” to be reasonable. The Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act and such special tax is not on or based upon the value or ownership of real property. In the event that a portion of the property within Community Facilities District No. 2020-2 shall become for any reason exempt, wholly or partially, from the levy of the Special Tax specified on Attachment “C,” the City Council shall, on behalf of Community Facilities District No. 2020-2, cause the levy to be increased, subject to the limitation of the maximum Special Tax for a parcel as set forth in Attachment “C,” to the extent necessary upon the remaining property within proposed Community Facilities District No. 2020-2 which is not exempt in order to yield the Special Tax revenues required for the purposes described in this Section 5. The obligation to pay the Special Tax may be prepaid only as set forth in Section I of Attachment “C” hereto.

SECTION 6. A public hearing (the “Hearing”) on the establishment of the proposed Community Facilities District No. 2020-2, the proposed rate and method of apportionment of the Special Tax and the proposed issuance of bonds to finance the Facilities and the Incidental Expenses shall be held at 5:00p.m., or as soon thereafter as practicable, on May 13, 2020, at the City Council Chambers at 201 North Broadway, Escondido, California. Should the City Council determine to form the District, a special election will be held to authorize the issuance of the bonds and the levy of the special tax in accordance with the procedures contained in Government Code Section 53326. If held, the proposed voting procedure at the election will be a landowner vote with each landowner who is the owner of record of land within the District at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within the proposed District. Ballots for the special election may be distributed by mail or by personal service.
SECTION 7. At the time and place set forth above for the Hearing, the City Council will receive testimony as to whether the proposed Community Facilities District No. 2020-2 shall be established and as to the method of apportionment of the special tax and shall consider:

(a) if an ad valorem property tax is currently being levied on property within proposed Community Facilities District No. 2020-2 for the exclusive purpose of paying principal or interest on bonds, lease payments or other indebtedness incurred to finance construction of capital facilities; and

(b) if the capital facilities to be financed and constructed by Community Facilities District No. 2020-2 will provide the same services as were provided by the capital facilities mentioned in subsection (a); and

(c) if the City Council makes the findings specified in subsections (a) and (b) above, it will consider appropriate action to determine whether the total annual amount of ad valorem property tax revenue due from parcels within Community Facilities District No. 2020-2, for purposes of paying principal and interest on the debt identified in subsection (a) above, shall not be increased after the date on which Community Facilities District No. 2020-2 is established, or after a later date determined by the City Council with the concurrence of the legislative body which levied the property tax in question.

SECTION 8. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within proposed Community Facilities District No. 2020-2, may appear and be heard.

SECTION 9. Each City officer who is or will be responsible for providing the Facilities within proposed Community Facilities District No. 2020-2, if it is established, is hereby directed to study the proposed District and, at or before the time of the above-mentioned Hearing, file a report with the City Council containing a brief description of the public facilities by type which will in his or her opinion be required to meet adequately the needs of Community Facilities District No. 2020-2 and an estimate of the cost of providing those public facilities, including the cost of environmental evaluations of such facilities and an estimate of the fair and reasonable cost of any Incidental Expenses to be incurred.

SECTION 10. The District may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying any cost incurred in creating Community Facilities District No. 2020-2. The District may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the City Council, with or without interest.

SECTION 11. The City Clerk is hereby directed to publish a notice (the “Notice”) of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of proposed Community Facilities District No. 2020-2. The City Clerk is further directed to mail a copy of the Notice to each of the landowners within the boundaries of the District at least 15 days prior to the Hearing. The Notice shall contain the text or a summary of this Resolution, the time and place of the Hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters and landowners...
in the proposed district and a description of the proposed voting procedure for the election required by the Act. Such publication shall be completed at least seven (7) days prior to the date of the Hearing.

SECTION 12. The reasonably expected maximum principal amount of the bonded indebtedness to be incurred by the District for the Facilities and Incidental Expenses is Sixteen Million Dollars ($16,000,000).

SECTION 13. The forms of the Acquisition Agreement and the Water District JCFA (collectively, the “Agreements”) are hereby approved. The Mayor, the City Manager, or their written designees are hereby authorized and directed to execute and deliver the Agreements in the respective forms on file with the City Clerk with such changes, insertions and omissions as may be approved by the officer or officers executing such agreement, said execution being conclusive evidence of such approval.

SECTION 14. Except to the extent limited in any bond resolution or trust indenture related to the issuance of bonds, the City Council hereby reserves to itself all rights and powers set forth in Section 53344.1 of the Act (relating to tenders in full or partial payment).

SECTION 15. This Resolution shall be effective upon its adoption.
PASSED, ADOPTED AND APPROVED by the City Council of the City of Escondido at a regular meeting thereof this 8th day of April, 2020 by the following vote to wit:

AYES : Councilmembers: DIAZ, MARTINEZ, MORASCO, MCNAMARA

NOES : Councilmembers: NONE

VACANT : Councilmembers: DISTRICT 2

APPROVED:

Paul McNamara
PAUL MCNAMARA, Mayor of the City of Escondido, California

ATTEST:

ZACK BECK, City Clerk of the City of Escondido, California

RESOLUTION NO. 2020-25
ATTACHMENT B

TYPES OF FACILITIES
TO BE FINANCED BY COMMUNITY
FACILITIES DISTRICT NO. 2020-2 OF THE CITY OF ESCONDIDO

The proposed types of public facilities and expenses to be financed by the District include:

The construction, purchase, modification, expansion, rehabilitation and/or improvement of (i) water and wastewater, drainage, flood and storm protection facilities, library, parks, parkways, park lighting, sidewalks, signage, fire protection and fire suppression facilities, streets and roadways, traffic signals, street lighting, administration and community center facilities, animal shelter facilities, and other public facilities of the City, including the foregoing public facilities which are included in the City’s fee programs with respect to such facilities and authorized to be financed under the Mello-Roos Community Facilities Act of 1982, as amended (the “City Facilities”) and (ii) water facilities including the acquisition of capacity in the water system of the Rincon Del Diablo Municipal Water District which are included in Rincon Del Diablo Municipal Water District’s water capacity and connection fee programs (the “Water District Facilities,” and, together with the City Facilities, the “Facilities”) and all appurtenances and appurtenant work in connection with the foregoing Facilities, and to finance the incidental expenses to be incurred, including:

a. Engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Facilities. The cost of engineering, planning and designing the Facilities;

b. All costs, including costs of the property owner petitioning to form the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and

c. Any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities.

Capitalized terms used and not defined herein shall have the meaning set forth in the Rate and Method of Apportionment of Special Taxes for the District.
ATTACHMENT C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
COMMUNITY FACILITIES DISTRICT NO. 2020-2
(The Villages)
CITY OF ESCONDIDO

A Special Tax (as hereinafter defined) shall be levied on all Assessor’s Parcels within Community Facilities District No. 2020-2 (The Villages) (“CFD No. 2020-2”) of the City of Escondido (“City’) and collected each Fiscal Year commencing in Fiscal Year 2020-2021, in an amount determined by the City Council, through the application of this Rate and Method of Apportionment of Special Taxes as described below. All of the real property within the boundaries of CFD No. 2020-2, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax 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 acreage of an Assessor’s Parcel as shown on an Assessor’s Parcel Map. If the acreage is not shown on an Assessor’s Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the CFD Administrator or a designee.


“Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2020-2 for: the costs of computing the Special Taxes including the Backup Special Tax and preparing and presenting to City Council 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 County 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. 2020-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2020-2 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City’s annual administration fees and third party expenses; the costs of City staff time and reasonable overhead relating to CFD No. 2020-2; and amounts estimated or advanced by the City or CFD No. 2020-2 for any other administrative purposes of CFD No. 2020-2, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.
“Assessor’s Parcel” or “Assessor Parcels” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

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

“Assigned Special Tax” means the Special Tax for each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.b below.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.c below.

“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. 2020-2, pursuant to the Act which are secured by a pledge of the Special Taxes.

“Building Permit” means the first legal document issued by the City giving official permission for new construction of a building on an Assessor’s Parcel. For purposes of this definition, “Building Permit” shall include any subsequent building permits issued or changed prior to the first occupancy of the structure, as determined by the CFD Administrator.

“CFD Administrator” means the Finance Director or other official of the City responsible for determining the Special Tax Requirement, providing for the levy and collection of the Special Taxes and performing the other duties provided herein.

“CFD No. 2020-2” means Community Facilities District No. 2020-2 (The Villages) of the City of Escondido.

“City” means the City of Escondido, California.

“City Council” means the City Council of the City, acting as the Legislative Body of CFD No. 2020-2, or its designee.

“Contractual Obligations” means (a) a voluntary contractual assessment established and levied on an Assessor’s Parcel pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (commencing with Section 5898.10 et seq.), as amended from time to time, (b) a special tax established and levied on an Assessor’s Parcel pursuant to Section 53328.1 of the California Government Code and related provisions of the Act, as amended from time to time, and (c) any other fee, charge, tax, or assessment established and levied on an individual Assessor’s Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof (e.g., property owner association assessments)

“County” means the County of San Diego, California.

“Developed Floor Area” means for any Dwelling Unit, the square footage of assessable space of each Dwelling Unit as defined in Government Code section 65995, subdivision (b)(1). For purposes of this determination, such square footage of assessable space shall be, and the City, acting for CFD No. 2020-2, may rely on, the square footage as identified on the Building
Permit(s) issued by the City if found consistent with such code section. Modifications to the originally issued Building Permit made prior to first occupancy may occur and shall be used to adjust the determination of Developed Floor Area. Modifications made after first occupancy, such as additions, shall be subject to then current development fees and not used to determine the Developed Floor Area used in the application of this Rate and Method of Apportionment.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a Building Permit for new construction was issued prior to March 1st of the prior Fiscal Year.

“Dwelling Unit(s)” or “DU” means an individual single-family, detached or attached home, townhome, condominium, apartment, or other such residential Dwelling Unit, including each separate living area within a half-plex, duplex, triplex, fourplex, or other residential structure that comprises an independent facility capable of conveyance or as a rental separate from the primary Dwelling Unit(s).

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section F.

“Facilities” means the public facilities authorized to be financed, in whole or in part, by CFD No. 2020-2.

“Final Map” means a subdivision of property by recordation of a final tract map, parcel map, or lot line adjustment by the City, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 6624 that creates individual lots for which Building Permits may be issued without further subdivision.

“Final Mapped Property” means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, which as of January 1 of the previous Fiscal Year was located within a Final Map.

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

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

“Land Use Category” means any of the categories listed in Section C and for Developed Property as listed in Table 1.

“Maximum Special Tax” means for each Assessor’s Parcel and each Fiscal Year, the Maximum Special Tax, determined in accordance with Section C, below, that may be levied on such Assessor’s Parcel in such Fiscal Year.

“Minimum Sale Price” means the minimum price at which Dwelling Units of a given Land Use Category, or plan type if multiple are contained within a Land Use Category, have sold or are expected to be sold in a normal marketing environment, as estimated by the Price Point Consultant, and shall not include prices for such Dwelling Units that are sold at a discount to
expected sales prices for the purposes of stimulating the initial sales activity with respect to such Land Use Category.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit was issued for any type of non-residential use.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under an Indenture(s).

“Price Point Consultant” means any consultant or firm of such consultants selected by CFD No. 2020-2 that (a) has substantial experience in performing price point studies for residential Dwelling Units within community facilities districts established under the Act or otherwise estimating or confirming pricing for residential Dwelling Units in such community facilities districts, (b) has recognized expertise in analyzing economic and real estate data that relates to the pricing of residential Dwelling Units in such community facilities districts, (c) is in fact independent and not under the control of CFD No. 2020-2, the City or the developer of CFD No. 2020-2, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2020-2, (ii) the City, (iii) any owner of real property in CFD No. 2020-2, or (iv) any real property in CFD No. 2020-2, and (e) is not connected with CFD No. 2020-2 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2020-2 or the City.

“Price Point Study” means a price point study or a letter updating a previous price point study prepared by the Price Point Consultant pursuant to Section D herein.

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2020-2 that is owned by a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2020-2 to less than 33.68 Acres as described in Section E.

“Proportionately” means (a) for Developed Property in the first step of Section E below, that the ratio of actual Assigned Special Tax levy to the Maximum Assigned Special Tax rate is equal for all Assessor’s Parcels of Developed Property; (b) for Final Mapped Property in the second step of Section E, Proportionately means 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; (c) for Undeveloped Property in the third step of Section E below, 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; (d) for Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property in the fourth step of Section E, 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 Property Owner Association Property and Public Property; and (e) for Developed Property in the fifth step of Section E, Proportionately means that the amount of the increase above the Assigned Special Tax levy, if necessary, is equal for all Assessor’s Parcels of Developed Property, except that if the Backup Special Tax limits the increase on any Assessor’s Parcel(s), then the amount of the increase shall be equal for the remaining Assessor’s Parcels.
“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2020-2 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2020-2 to less than 33.68 Acres as described in Section F and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use, whichever is greater.

“Rate and Method of Apportionment” means the “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2020-2 (The Villages) of the City of Escondido.”

“Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one or more residential Dwelling Units.

“Special Tax” or “Special Taxes” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the boundaries of CFD No. 2020-2 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2020-2 to: (i) pay Administration Expenses of CFD No. 2020-2 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (iii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2020-2 under the Act, as reasonably determined by the City, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to Final Mapped Property, Undeveloped Property, Public Property that is not Exempt Property, Property Owner Association Property that is not Exempt Property or the levy of the Backup Special Tax; (vi) fund in anticipation of reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2020-2, levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the City, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2020-2 which have not been prepaid pursuant to Section I or, which are not exempt from the Special Tax pursuant to law or Section F below.
“Total Tax Burden” means for any Dwelling Unit, the annual Special Tax, together with ad valorem property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees, and charges which are levied and imposed on such Dwelling Unit and the real property on which it is located and collected by the County on property tax bills and which are secured by such Dwelling Unit and the real property on which it is located, assuming such Dwelling Unit had been completed, sold and subject to such levies and impositions, excluding both service charges, such as those related to sewer and trash, and Contractual Obligations, as defined herein.

“Trustee” means the trustee or fiscal agent under an Indenture(s).

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

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2020-2 shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and E below. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property, and finally into Land Use Categories.

C. MAXIMUM SPECIAL TAX

An Assessor’s Parcel may contain more than one Land Use Category. The Maximum Special Tax which may be levied on an Assessor’s Parcel shall be the sum of the Maximum Special Tax that can be imposed based on each Land Use Category applicable to such Assessor’s Parcel.

1. Developed Property
   a. Maximum Special Tax

   The Maximum Special Tax for each Assessor’s Parcel of Residential Property that is classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

   The Maximum Special Tax for each Assessor’s Parcel of Non-Residential Property shall be the Assigned Special Tax described in Table 1.

   b. Assigned Special Tax
The Assigned Special Tax for each Assessor’s Parcel of Developed Property is shown in Table 1 below.

### TABLE 1
Assigned Special Taxes for Developed Property
Fiscal Year 2020-2021

<table>
<thead>
<tr>
<th>Land Use Category</th>
<th>Property Description</th>
<th>Unit Type</th>
<th>Developed Floor Area</th>
<th>Assigned Special Tax Per Taxable Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Residential</td>
<td>DU</td>
<td>Greater than 3,199 sq. ft.</td>
<td>$2,739.00</td>
</tr>
<tr>
<td>2</td>
<td>Residential</td>
<td>DU</td>
<td>2,950 sq. ft. to 3,199 sq. ft.</td>
<td>$2,658.00</td>
</tr>
<tr>
<td>3</td>
<td>Residential</td>
<td>DU</td>
<td>2,700 sq. ft. to 2,949 sq. ft.</td>
<td>$2,567.00</td>
</tr>
<tr>
<td>4</td>
<td>Residential</td>
<td>DU</td>
<td>2,450 sq. ft. to 2,699 sq. ft.</td>
<td>$2,467.00</td>
</tr>
<tr>
<td>5</td>
<td>Residential</td>
<td>DU</td>
<td>2,200 sq. ft. to 2,449 sq. ft.</td>
<td>$2,359.00</td>
</tr>
<tr>
<td>6</td>
<td>Residential</td>
<td>DU</td>
<td>1,950 sq. ft. to 2,199 sq. ft.</td>
<td>$2,091.00</td>
</tr>
<tr>
<td>7</td>
<td>Residential</td>
<td>DU</td>
<td>1,700 sq. ft. to 1,949 sq. ft.</td>
<td>$2,068.00</td>
</tr>
<tr>
<td>8</td>
<td>Residential</td>
<td>DU</td>
<td>1,450 sq. ft. to 1,699 sq. ft.</td>
<td>$1,884.00</td>
</tr>
<tr>
<td>9</td>
<td>Residential</td>
<td>DU</td>
<td>Less than 1,450 sq. ft.</td>
<td>$1,769.00</td>
</tr>
<tr>
<td>10</td>
<td>Non-Residential</td>
<td>Acre</td>
<td>NA</td>
<td>$24,346.00</td>
</tr>
</tbody>
</table>

**c. Backup Special Tax**

The Backup Special Tax for the Assessor’s Parcels of Residential Property within CFD No. 2020-2 has been estimated below for example purposes. The Backup Special Tax will be determined at the time a Final Map is recorded on property within the boundaries of CFD No. 2020-2. The owner of the property within such Final Map must provide the CFD Administrator a copy of the recorded Final Map and a listing of the square footage of all lots within such Final Map and CFD No. 2020-2 at the time of recordation.

The Backup Special Tax per Assessor’s Parcel of Residential Property within the CFD No. 2020-2 shall be determined by multiplying the then current Maximum Special Tax per Acre for Undeveloped Property by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner’s Association Property in the portion of such Final Map included within CFD No. 2020-2 and dividing such amount by the number of Dwelling Units that are or are approved to be Residential Property (i.e., the number of residential lots for single family detached housing or approved Dwelling Units for single family attached or multi-family housing) within such Final Map included within CFD No. 2020-2. The following steps below provides an example of the calculation of the Backup Special Tax for Fiscal Year 2020-2021 for the pending Final Map for Village 1 within CFD No. 2020-2.
Example Backup Special Tax Calculation:

1. Projected Final Map SUB16-009A (Village 1) acres of 16.50 are multiplied by the applicable Maximum Special Tax for Undeveloped Property (Section 2.a) of $24,346.00 for Fiscal Year 2020-2021.

2. The result of the first step, $24,346.00 times 16.50 or $401,709.00, is then divided by the number of Dwelling Units that are or are approved to be Residential Property. The projected number of Residential DU within such Final Map is 151.

3. The result of the second step, $401,709.00 divided by 151 or $2,660.32, would be the Backup Special Tax for all DU within such Final Map for Fiscal Year 2020-2021.

Table 2 will be complete at the time each Final Map is approved.

### TABLE 2
Backup Special Tax
Fiscal Year 2020-2021

<table>
<thead>
<tr>
<th>Map / Status</th>
<th>Estimated Final Map Acreage of Taxable Property</th>
<th>Projected Number of Residential Units</th>
<th>Status of Backup Tax*</th>
<th>Backup Special Tax per Lot or Unit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unapproved Tentative Tract SUB16-009A (Village 1)</td>
<td>16.50</td>
<td>151</td>
<td>Not Final</td>
<td></td>
</tr>
<tr>
<td>Unapproved Tentative Tract SUB16-009B (Village 2)</td>
<td>8.41</td>
<td>80</td>
<td>Not Final</td>
<td></td>
</tr>
<tr>
<td>Unapproved Tentative Tract SUB16-009C (Village 3)</td>
<td>12.51</td>
<td>149</td>
<td>Not Final</td>
<td></td>
</tr>
</tbody>
</table>

* Note: The Backup Special Tax per lot or Dwelling Unit shown may be modified as described below.

Notwithstanding the foregoing, if all or any portion of the Final Map contained with the boundaries of CFD No. 2020-2 that is changed or modified, then the Backup Special Tax for each Assessor’s Parcel of Residential Property in such Final Map area contained within the boundaries of CFD No. 2020-2 that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Tax anticipated to apply to the changed or modified Final Map area prior to the change or modification.

2. The result of paragraph 1 above shall be divided by the total number of Dwelling Units constructed or projected to be constructed within such changed or modified Final Map area contained within the boundaries of CFD No. 2020-2, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 is the Backup Special Tax per Dwelling Unit which shall be applicable to Assessor’s Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area contained within the boundaries of CFD No. 2020-2, subject to increases pursuant to Section C.1.d.

d. Escalation

Each July 1st, commencing July 1, 2021, the Assigned Special Taxes and the Backup Special Tax shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

2. Final Mapped Property, Undeveloped Property, Property Owner Association Property and Public Property

a. Maximum Special Tax

The Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within CFD No. 2020-2 shall be $24,346.00 per Acre for Fiscal Year 2020-2021.

b. Escalation

Each July 1st, commencing July 1st 2021, the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

D. ADJUSTMENT OF THE MAXIMUM SPECIAL TAX ON DEVELOPED PROPERTY

At least 30 days prior to the first issuance of Bonds, the Assigned Special Tax on Developed Property (set forth on Table 1) shall be analyzed in accordance with and subject to the conditions set forth in this Section D. At such time, CFD No. 2020-2 shall select and engage a Price Point Consultant and the CFD Administrator shall request the Price Point Consultant to prepare a Price Point Study setting forth the Minimum Sales Price of Dwelling Units within each Land Use Category or plan type if multiple plan types are contained within one Land Use Category. If, based upon the results of the Price Point Study, the CFD Administrator calculates that the Total Tax Burden applicable to Dwelling Units within one or more Land Use Categories exceeds 1.80% of the Minimum Sales Price of such Dwelling Units, the Assigned Special Tax shall be reduced to the extent necessary to cause the Total Tax Burden that shall apply to all Dwelling Units within such Land Use Category(ies) to not exceed 1.80% of the Minimum Sales Price of such Dwelling Units. Each Assigned Special Tax reduction for a Land Use Category shall be calculated by the CFD Administrator separately. It shall not be
required that such reduction be proportionate among all Land Use Categories. However, the CFD Administrator shall reduce the Assigned Special Tax for other Land Use Categories, as applicable, to ensure that, after any reductions occurring pursuant to this Section, the Assigned Special Tax for any Land Use Category is not less than the Assigned Special Tax for the any Land Use Category containing a Dwelling Unit of a lesser Developed Floor Area. For example, the Assigned Special Tax for Land Use Category “1” is at least the Assigned Special Tax for Land Use Category “2”; if such is not true, the Assigned Special Tax for Land Use Category “2” is reduced to equal that of Land Use Category “1”. In connection with any reduction in the Assigned Special Tax, the Backup Special Tax for all Dwelling Units shall also be reduced by the CFD Administrator based on the percentage reduction in Assigned Special Tax revenues for each Land Use Category subject to reduction. The Special Tax reductions required pursuant to this paragraph shall be reflected in an amended notice of Special Tax lien which CFD No. 2020-2 shall cause to be recorded by executing a certificate in substantially the same form as Exhibit A attached hereto. The Special Tax reductions required in this section shall become effective in the Fiscal Year following such actions and applied to levy of Special Taxes in such following Fiscal Year. There will be no adjustments made to the current Fiscal Year levy.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2020-2021 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement for such Fiscal Year. The Special Tax shall then be levied as follows:

First: If needed to satisfy the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Developed Property up to 100% of the applicable Assigned Special Tax; and

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Final Mapped Property in an amount up to 100% of the Maximum Special Tax for Final Mapped Property to satisfy the Special Tax Requirement; and

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps has been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor’s Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax; and

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Public Property which is not Exempt Property and Property Owner
Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement.

F. EXEMPTIONS

Any Assessor’s Parcel within the boundaries of CFD No. 2020-2 that is owned or irrevocably dedicated to a public agency as of the date of formation of CFD No. 2020-2 shall be classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act. The total Acreage of Taxable Property within CFD No. 2020-2 has been determined to be equal to 91.06 Acres as of the date of formation of CFD No. 2020-2.

Tax exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Public Property or Property Owner Association Property provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2020-2 to less than 33.68 Acres. Public Property or Property Owner Association Property that would, if designated as Exempt Property, cause the Acreage of all Taxable Property to be less than 33.68 Acres shall be required to either (i) prepay the Special Tax for such property in full at the then applicable rate per Acre for Property Owner Association Property or Public Property applied to the Acres of such property, which resulting amount is to be used as the Assigned Special Tax in the calculation of the prepayment pursuant to Section I.1 or (ii) be subject to taxation pursuant to the fourth step of Section E.

G. APPEAL

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator. The written notice of appeal must be filed within the same Fiscal Year as having paid the first installment of the Special Tax that is disputed and the property owner must be current and remain current in the payment of all Special Tax levied on or before the payment date.

The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the CFD Administrator’s decision requires that the Special Tax for an Assessor’s Parcel be modified or changed in favor of the property owner, an adjustment shall be made to the Annual Special Tax on that Assessor’s Parcel in the subsequent Fiscal Year(s) and a refund, as described, shall be made representing the amount of the adjustment for the most recent Fiscal Year. The CFD Administrator shall determine if funds are available to provide such refund or, if funds are not available in the sole discretion of the CFD Administrator to provide a cash refund, a credit to the levy of Special Tax in one or more subsequent Fiscal Years shall be made in the same amount.

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal actions by such property owner.

H. MANNER OF COLLECTION
The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2020-2 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor’s Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section I:

“CFD Public Facilities” means $11,215,914 in Fiscal Year 2020-2021 dollars, or such lower number as determined by the CFD Administrator to be sufficient to fund the Facilities to be provided by CFD No. 2020-2.

“Expenditures Fund” means funds or accounts, regardless of their names, that are established to hold moneys that are available to acquire or construct Facilities.

“Future Facilities Costs” means the CFD Public Facilities minus (i) Facilities costs previously paid from the Expenditures Fund, (ii) moneys currently on deposit in the Expenditures Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance Facilities costs. The required and unfunded portion of this amount may increase by 2% annually to the extend such resulting Future Facilities Costs are able to be funded by CFD No. 2020-2 as determined by the CFD Administrator. In no event shall the amount of Future Facilities Costs be less than zero.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for an Assessor’s Parcel of Developed Property, Final Mapped Property or Undeveloped Property for which a Building Permit has been issued, and Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to Section F. The Prepayment Amount for an Assessor’s Parcel of Undeveloped Property for which a Building Permit has been issued shall be based on the Assigned Special Tax for the applicable Land Use Category shown in Table 1 based on the Building Permit issued for such Assessor’s Parcel and the then current Special Tax rates. The Maximum Special Tax obligation applicable to such Assessor’s Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay, and within five (5) days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2020-2 in calculating the proper amount of a prepayment. Within fifteen (15) business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount of such Assessor’s Parcel.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):
Bond Redemption Amount
plus Redemption Premium
plus Future Facilities Amount
plus Defeasance Amount
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated by the CFD Administrator as follows:

Paragraph No.

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. Compute the Assigned Special Tax and Backup Special Tax for the Assessor’s Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. For Assessor’s Parcels of Final Mapped Property (for which a Building Permit has been issued but which is not yet classified as Developed Property) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor’s Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to Paragraph 2 by the total estimated Assigned Special Tax for CFD No. 2020-2 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2020-2, excluding any Assessor’s Parcels which have been prepaid, and
(b) Divide the Backup Special Tax computed pursuant to Paragraph 2 by the estimated total Backup Special Tax at buildout of CFD No. 2020-2, excluding any Assessor’s Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to Paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the “Bond Redemption Amount”).
5. Multiply the Bond Redemption Amount computed pursuant to Paragraph 4 by the applicable redemption premium (e.g., the redemption price minus 100%), if any, on the Outstanding Bonds to be redeemed (the “Redemption Premium”).
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to Paragraph 3(a) or 3(b) by the amount determined pursuant to Paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the “Future Facilities Amount”).
8. 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 earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor’s Parcel in the current Fiscal Year which has not yet been paid.

10. Add the amounts computed pursuant to Paragraphs 8 and 9 to determine the “Defeasance Amount”.

11. Verify the administrative fees and expenses of CFD No. 2020-2, including the costs to compute the prepayment, the costs to invest the prepayment proceeds, the costs to redeem Bonds, and the costs to record any notices to evidence the prepayment and the redemption (the “Administrative Fees and Expenses”).

12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “Reserve Fund Credit”). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement on the prepayment date or the redemption date.

13. The amount due to fully prepay the Special Tax is equal to the sum of the amounts computed pursuant to Paragraphs 4, 5, 7, 10, and 11, less the amount computed pursuant to Paragraph 12 (the “Prepayment Amount”).

14. From the Prepayment Amount, the amounts computed pursuant to Paragraphs 4, 5, 10, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Paragraph 7 shall be deposited into the Expenditures Fund. The amount computed pursuant to Paragraph 11 shall be retained by CFD No. 2020-2.

The Special Tax Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, the increment above $5,000, or integral multiple thereof, will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

Upon cash payment of the Prepayment Amount due pursuant to the above and upon owner providing confirmation from the County to the CFD Administrator that all prior and current Fiscal Year’s Special Taxes, including any delinquency penalties and interest, for such Assessor’s Parcel has been paid, the City shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax on an Assessor’s Parcel of Developed Property or an Assessor’s Parcel of Undeveloped Property for which a Building Permit has been issued may be partially prepaid, provided an Assessor’s Parcel of Developed Property may only be partially prepaid
prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

\[ PP = (P_E \times F) + G \]

These terms have the following meaning:

- \( PP \) = the partial Prepayment Amount
- \( P_E \) = the Prepayment Amount calculated according to Section H.1.a.
- \( F \) = the percent by which the owner of the Assessor’s Parcel(s) is partially prepaying the Maximum Special Tax.
- \( G \) = the administrative fee determined in Section H.1.b.

The Special Tax partial Prepayment Amount must be sufficient to redeem at least a $5,000 increment of Bonds, unless waived by the CFD Administrator.

The owner of an Assessor’s Parcel who desires to partially prepay the Maximum Special Tax shall notify the CFD Administrator of (i) such owner’s intent to partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2020-2 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the partial Prepayment Amount of such Assessor’s Parcel.

With respect to any Assessor’s Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted pursuant to Section H.1.d, and (ii) indicate in the records of CFD No. 2020-2 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Assigned Special Tax and Backup Special Tax equal to the outstanding percentage \((1.00 - F)\) of the Assigned Special Tax and Backup Special Tax shall continue to be authorized to be levied on such Assessor’s Parcel pursuant to Section E.

J. **TERM OF THE SPECIAL TAX**

The Special Tax shall be levied annually on each Assessor’s Parcels of Taxable Property for a maximum of fifty (50) years as Developed Property from the first levy of special taxes on an applicable Assessor’s Parcel as Developed Property.
EXHIBIT A

CERTIFICATE OF MODIFICATION OF SPECIAL TAXES
(PAGE 1 OF 2)

CITY OF ESCONDIDO AND CFD No. 2020-2 CERTIFICATE

1. Pursuant to Section C.1 of the Rate and Method of Apportionment for the City of Escondido Community Facilities District No. 2020-2 (The Villages) (“CFD No. 2020-2”), the Assigned Special Tax for Developed Property within CFD 2020-2 has been modified. This calculation was based upon a Price Point Study that received by the CFD Administrator on ________________.

   a. The information in Table 1 relating to the Assigned Special Tax for Developed Property with CFD No. 2020-2, as stated in Section C.1.b and annually increased as stated in Section C.1.d. of the Rate and Method of Apportionment, has been modified as follows:

<table>
<thead>
<tr>
<th>Land Use Category</th>
<th>Property Description</th>
<th>Unit Type</th>
<th>Developed Floor Area</th>
<th>Assigned Special Tax Per Taxable Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Residential</td>
<td>DU</td>
<td>Greater than 3,199 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>2</td>
<td>Residential</td>
<td>DU</td>
<td>2,950 sq. ft. to 3,199 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>3</td>
<td>Residential</td>
<td>DU</td>
<td>2,700 sq. ft. to 2,949 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>4</td>
<td>Residential</td>
<td>DU</td>
<td>2,450 sq. ft. to 2,699 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>5</td>
<td>Residential</td>
<td>DU</td>
<td>2,200 sq. ft. to 2,449 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>6</td>
<td>Residential</td>
<td>DU</td>
<td>1,950 sq. ft. to 2,199 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>7</td>
<td>Residential</td>
<td>DU</td>
<td>1,700 sq. ft. to 1,949 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>8</td>
<td>Residential</td>
<td>DU</td>
<td>1,450 sq. ft. to 1,699 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>9</td>
<td>Residential</td>
<td>DU</td>
<td>Less than 1,450 sq. ft.</td>
<td>$[   ]</td>
</tr>
<tr>
<td>10</td>
<td>Non-Residential</td>
<td>Acre</td>
<td>NA</td>
<td>$[   ]</td>
</tr>
</tbody>
</table>

b. In connection with any reduction in the Assigned Special Tax, the Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property and Public Property per Acre as set forth in Section C.2 and the Backup Special Tax as set forth in Section C.1.c shall also be reduced by the CFD Administrator based on the recalculation of the Undeveloped Special Tax per Acre. The Backup Special Tax for Developed Property, as stated in Section C.1.c, shall be modified, to the extent the Final Map has been recorded, as follows:
EXHIBIT A
CERTIFICATE OF MODIFICATION OF SPECIAL TAXES
(Page 2 of 2)

TABLE 2
Backup Special Taxes for Developed Property
Fiscal Year 20___-20___

<table>
<thead>
<tr>
<th>Map / Status</th>
<th>Final Map Acreage of Taxable Property</th>
<th>Number of Residential Units</th>
<th>Status of Backup Tax*</th>
<th>Backup Special Tax per Lot or Unit*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tentative Tract SUB16-009A (Village 1)</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
<td>$[ ]</td>
</tr>
<tr>
<td>Tentative Tract SUB16-009B (Village 2)</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
<td>$[ ]</td>
</tr>
<tr>
<td>Tentative Tract SUB16-009C (Village 3)</td>
<td>[ ]</td>
<td>[ ]</td>
<td></td>
<td>$[ ]</td>
</tr>
</tbody>
</table>

* Note: The Backup Special Tax per lot or Dwelling Unit shown may be modified as described in the Rate and Method of Apportionment for CFD No. 2020-2.

2. The Special Tax for Developed Property may only be modified prior to the first issuance of CFD No. 2020-2 Bonds as defined in the Rate and Method of Apportionment.

3. Upon execution of this certificate by CFD No. 2020-2, CFD No. 2020-2 shall cause an amended Notice of Special Tax lien for CFD No. 2020-2 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2020-2, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

CITY OF ESCONDIDO COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES)

By: ___________________________ Date: ___________________________