

# RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

## TEMECULA VALLEY UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1

The Governing Board (“Board”) of the Temecula Valley Unified School District (“District”), acting as the Legislative Body of Community Facilities District No. 2014-1 (“CFD”) of the Temecula Valley Unified School District, shall levy and collect special taxes (“Special Taxes”) applicable to each Assessor’s Parcel (as defined below) of Taxable Property located within the boundaries of the CFD.

The Special Taxes will be levied as herein specified. All property located within the boundaries of the CFD shall be taxed, to the extent and in the manner herein set forth, unless exempted by law or as herein provided.

### **Section 1. Definitions**

The following terms shall, unless otherwise defined herein, have the meaning(s) set forth below:

“**Acre(s)**” applies only to Undeveloped Property and means the acreage of an Assessor’s Parcel as set forth on the most current Riverside County assessor’s map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, or is in conflict, the determination of the acreage shall be made by the District on behalf of the CFD.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311, et seq. of the California Government Code.

“**Administrative Expense**” means any actual or estimated ordinary and necessary expense incurred by the CFD or the District on behalf of the CFD related to the determination, tracking, levy and collection of Special Taxes including, but not limited to, the expenses of collecting delinquencies, the administration of Bonds, the appropriate allocation of salaries and benefits of any District employee whose duties are directly related to the administration of the CFD, and costs otherwise incurred in order to carry out the authorized purposes of the CFD, including, not by way of limitation, applicable legal costs.

“**Annual Maximum Special Taxes**” means the Annual Maximum Special Tax – Developed Property and the Annual Maximum Special Tax – Undeveloped Property which may be levied annually as described herein.

**“Annual Maximum Special Tax - Developed Property”** means the maximum Special Tax which may be annually levied on an Assessor’s Parcel that has been classified as Developed Property. The Annual Maximum Special Tax - Developed Property is not subject to the Index.

**“Annual Maximum Special Tax - Undeveloped Property”** means the maximum Special Tax which may be annually levied on an Assessor’s Parcel that has been classified as Undeveloped Property as described in Section 3(B). The Annual Maximum Special Tax - Undeveloped Property is not subject to the Index.

**“Assessor’s Parcel”** means a parcel of land as designated on an official map of the County Assessor and for which a discrete identifying parcel number has been assigned.

**“Available Funds”** means the following sources in those Fiscal Years in which the levy of Special Taxes on Undeveloped Property is required to satisfy the Special Tax Requirement. These sources are (i) earnings from investment of funds in the reserve fund in excess of the reserve requirement and (ii) Special Taxes and the proceeds of collections of delinquent Special Taxes through foreclosure proceedings or otherwise not required to fund Administrative Expenses, replenish the reserve fund or pay past due debt service.

**“Board”** means the Governing Board of the District.

**“Bonds”** means bonds or equivalent securities authorized and issued or to be issued on behalf of the CFD, including but not limited to, certificates of participation or leases issued and sold by or on behalf of the CFD or which are to be funded by proceeds of Special Taxes of the CFD, or to which all or a portion of the Special Taxes have been pledged to finance or construct School Facilities.

**“Building Square Footage”** means for any Assessor’s Parcel of Residential Property the square footage of each Dwelling Unit determined by calculating the habitable space of the improvement (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the CFD may rely on the square footage as identified on the building permit(s) issued by the applicable issuing agency. The Building Square Footage will be based upon the building permit(s) issued for each Dwelling Unit prior to it being classified as Occupied Residential Property, and shall not change as a result of additions or modifications made after such classification as Occupied Residential Property.

**“Certificate of Compliance”** means the document prepared by the District or other public agency and signed off by the District to allow for the issuance of a building permit pursuant to Education Code 17620 or any successor section thereto.

**“CFD”** means Community Facilities District No. 2014-1 of the Temecula Valley Unified School District.

**“County”** means the County of Riverside.

**“Developed Property”** means Assessor Parcels for which a building permit has been issued by the applicable agency on or before the March 1 prior to each Fiscal Year which is not Exempt Property and for which the Annual Maximum Special Tax - Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor Parcels for which a building permit has been issued by the applicable agency on or before March 1 shall be designated as Developed Property and subject to the levy of the Annual Maximum Special Tax - Developed Property in the following Fiscal Year. If a building permit has been issued for which the improvements to be constructed by the building permit together with previously issued building permits, if applicable, does not constitute the ultimate development of the entire Assessor’s Parcel, as reasonably determined by the CFD, the remaining undeveloped portion of the Assessor’s Parcel will be classified as Undeveloped Property and will be subject to the levy of the Annual Maximum Special Tax - Undeveloped Property as herein provided.

**“District”** means the Temecula Valley Unified School District.

**“ Dwelling Unit”** means one residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling unit, Second Dwelling Unit, condominium, an apartment unit, mobile home, or otherwise, but excludes therefrom hotels and motels.

**“Exempt Property”** means all Assessor Parcels which are exempt from the Special Tax pursuant to law or Section 6, hereof.

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

**“Non-Residential Property”** means property within the CFD for which a Certificate of Compliance is requested or has been issued for the purpose of constructing commercial (including hotels and motels), industrial or any other non-residential use.

**“Occupied Residential Property”** means all Assessor’s Parcels of Residential Property which have closed escrow to an end user (homeowner) for the first time.

**“Residential Property”** means property within the CFD for which a Certificate of Compliance is requested or has been issued for the purpose of constructing one or more Dwelling Units.

**“School Facilities”** means the design, planning, acquisition, installation, construction and/or financing of interim and permanent facilities, including, but not limited to, classrooms, multi-purpose, administration and auxiliary space at a school, central support and administrative facilities and special education facilities, together with furniture, equipment and technology, in addition to all land or interests in land required for the construction of such on-site or off-site facilities and all land or interests in land required to be provided by the District as mitigation of impacts associated with the development of such School Facilities all with a useful life of five years or longer.

**“Second Dwelling Unit”** means a Dwelling Unit that is determined by the criteria of the County from time to time to be classified as a Second Dwelling Unit. The requirements are 1) the unit is a detached secondary building, and 2) the unit is larger than 1/50<sup>th</sup> of the entire parcel, and 3) the unit has its own cooking facilities. Second Dwelling Units are subject to the Annual Maximum Special Tax – Developed Property as provided in Section 2.

**“Special Tax”** or **“Special Taxes”** means the special tax to be levied in each Fiscal Year on each Assessor Parcel of Developed Property and Undeveloped Property pursuant to Section 3 of this Rate and Method of Apportionment.

**“Special Tax Requirement”** means the total amount required in any Fiscal Year to: (1) Pay annual debt service on all then outstanding Bonds, (2) Pay periodic costs on the Bonds including, but not limited to, credit enhancement and rebate payments on the Bonds, (3) Pay Administrative Expenses, (4) Pay any amounts required to replenish any reserve fund related to all then-outstanding Bonds, and (5) Pay for pay-as-you-go School Facilities, less (6) Available Funds. The addition of any of the amounts added pursuant to item (5) is only to the extent that it does not increase or cause the levy of the Annual Maximum Special Tax - Undeveloped Property.

**“Taxable Property”** means all Assessor Parcels, except Exempt Property, that are subject to the levy of the Special Taxes.

**“Undeveloped Property”** means all Assessor Parcels of Taxable Property that are not classified as Developed Property.

## **Section 2. Assignment of Property – Annual Maximum Special Taxes**

The CFD shall annually classify all Assessor Parcels within the boundaries of the CFD as Developed Property, Undeveloped Property or Exempt Property. Such classification shall be made on or before July 1 of each year.

### **A) Annual Maximum Special Tax - Developed Property**

All Developed Property classified as “Residential Property” shall be taxed as herein set forth. For purposes of this determination, the CFD may rely on the Building Square Footage as identified on the building permit(s) issued by the applicable issuing agency. The Annual Maximum Special Tax - Developed Property for each Assessor Parcel classified as Developed Residential Property shall be \$1,276.00 per Dwelling Unit.

### **B. Annual Maximum Special Tax - Undeveloped Property**

The Annual Maximum Special Tax - Undeveloped Property for each Assessor Parcel classified as Undeveloped Property shall be \$5,321.00 per Acre.

### **Section 3. Levy of the Special Tax**

Commencing in Fiscal Year 2014-15, the Board shall levy the Annual Maximum Special Tax - Developed Property on each Assessor's Parcel which is classified as Developed Property. If additional monies are needed to satisfy the Special Tax Requirement after Bonds have been issued and after taking into account monies to be levied on Developed Property pursuant to the preceding sentence, the Board shall then levy such additional amount by proportionately levying the Annual Maximum Special Tax – Undeveloped Property on each Assessor's Parcel which is classified as Undeveloped Property up to 100% of the Annual Maximum Special Tax – Undeveloped Property for such Undeveloped Property.

### **Section 4. Partial Prepayment of the Annual Maximum Special Tax - Developed Property**

A property owner may make a one-time election to prepay a portion of the Annual Maximum Special Tax - Developed Property on an Assessor Parcel for which a building permit has been issued or a Certificate of Compliance is requested by notifying the District in writing of such intention no less than thirty (30) calendar days prior to such Assessor Parcel initially being classified as a Occupied Residential Property. The written notification shall include such owner's intent to partially prepay the Annual Maximum Special Tax - Developed Property, the date the Assessor Parcel is expected to be classified as a Occupied Residential Property, a copy of the final map, the Acres of each lot, the lot number(s) and Assessor Parcel Number(s) for which partial prepayment is requested, the Building Square Footage of the Dwelling Unit(s) and the percentage by which the Annual Maximum Special Tax - Developed Property shall be prepaid. If partial prepayment is requested on a limited number of Assessor Parcels of a group which will be requesting Certificates of Compliance, the above required information must be supplied on all Assessor Parcels which will be requesting Certificates of Compliance. The partial prepayment formula per Dwelling Unit is defined as follows:

$$\text{Partial Prepayment Formula per Dwelling Unit: } PP = (PVT \times PCT) + F + RP$$

The variables are defined as: PP, meaning the partial prepayment amount per Dwelling Unit. PVT, meaning the present value of the current Annual Maximum Special Tax – Developed Property using a 6.00% interest rate, prior to the issuance of Bonds, and a term of 35 years. After the issuance of Bonds the interest rate used to calculate the present value will be based on the lesser of 6.0% or the average coupon on the Bonds. PCT, meaning the partial prepayment percent. F, meaning all prepayment fees, and RP, meaning redemption premium on the Bonds, if applicable. The partial prepayment percent shall be indicated in the notification described above.

The District administrator shall provide the owner with a statement of the amount required per Dwelling Unit for the partial prepayment of the Annual Maximum Special Tax - Developed Property within ten (10) business days of the request and may charge

a reasonable fee for providing this service. The payment of the partial prepayment of the Annual Maximum Special Tax - Developed Property is payable only by cashier's check, money order or wire transfer and must be received prior to the property initially being classified as Occupied Residential Property.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of the authorized Annual Maximum Special Taxes that may be levied on all Taxable Property within the CFD after the proposed partial prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds. Partial prepayment will not adjust the current Fiscal Year levy as denoted by the receipt of funds.

### **Section 5. Prepayment of the Annual Maximum Special Tax - Developed Property**

An Assessor Parcel classified as Developed Property which is subject to the Annual Maximum Special Tax - Developed Property may prepay the *entire outstanding* Special Tax obligation at any time. The prepayment formula per Dwelling Unit is defined as follows:

$$\text{Prepayment Formula: } P = PVT + F + RP$$

The variables are defined as: P, meaning the prepayment amount, PVT, meaning the present value of taxes, F, meaning all prepayment fees, and RP, meaning redemption premium on the Bonds if applicable. The PVT or present value of taxes means the present value of the Annual Maximum Special Tax - Developed Property applicable to the Assessor Parcel in each remaining Fiscal Year that such Special Taxes may be levied subsequent to the Fiscal Year in which the calculation is made. The present value of the Annual Maximum Special Tax - Developed Property is calculated by using an interest rate of 6.0% prior to the issuance of Bonds. After the issuance of Bonds the interest rate used to calculate the present value will be based on the lesser of 6.0% or the average coupon on the Bonds. The remaining Fiscal Years, or the term for the present value calculation, is calculated by subtracting the number of years, including the present Fiscal Year, the Assessor Parcel has been subject to the Annual Maximum Special Tax - Developed Property from thirty-five (35). The current year's Special Taxes must be paid directly to the County and will not be accepted by the District with the prepayment.

Prepayment fees or F means the fees of the District, the fiscal agent and any consultants retained by the District in connection with the prepayment calculations and redemption of the Bonds.

Redemption premium on the Bonds or RP means a prepayment premium as set forth in the Bond issuance documents for a mandatory redemption of the Bonds as of the prepayment date (if any).

Bonds shall be redeemed in a manner such that the yield on the Bonds outstanding after the completion of the prepayment is as close as possible to the original yield on all of the Bonds.

Prepayments must be received prior to June 1 to be effective in the following Fiscal Year. In addition, any property owner prepaying his or her Annual Maximum Special Tax - Developed Property must also pay the present Fiscal Year levy and all delinquent Special Taxes, interest and penalties, if any, owing on the Assessor Parcel to the County of Riverside on which prepayment is being made.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of the authorized Annual Maximum Special Taxes that may be levied on all Taxable Property within the CFD after the proposed prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds. Prepayment will not adjust the current Fiscal Year levy as denoted by the receipt of funds.

## **Section 6. Limitations**

The CFD shall not levy any Special Taxes on properties conveyed or irrevocably dedicated to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas, homeowners association property, private streets, school, parks, and open space lots. Except as set forth above, the Board shall not levy any Special Taxes on properties which are owned by the State of California, Federal or other local governments, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act. Non-Residential Property shall not be subject to the levy of Special Taxes but are subject to applicable statutory fees.

The CFD shall classify as Exempt Property all Assessor's Parcels in the preceding paragraph, including Non-Residential Property, provided that no such classification would reduce the sum of all Taxable Property to less than 108.19 Acres. Notwithstanding the above, the CFD shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 108.19 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 108.19 Acres will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

## **Section 7. Manner of Collection**

The Annual Maximum Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem real property taxes. The Annual Maximum Special Taxes shall be subject to the same penalties, procedures, sale and lien priority in any case of delinquency as provided for with ad valorem taxes. The collection of the Annual Maximum Special Taxes shall otherwise be subject to the provisions of the Act. The

Board reserves the power to provide for alternative means of collection of Special Taxes as permitted by the Act.

#### **Section 8. Term of the Special Taxes**

The Annual Maximum Special Tax – Developed Property shall be levied for a period not to exceed thirty-five (35) years for each Dwelling Unit classified as Developed Property.

#### **Section 9. Review/Appeals Panel**

The Board shall establish, as part of the proceedings and administration of CFD No. 2014-1, a Review/Appeals Panel. Any landowner who feels that the amount of the Special Tax, as to his or her Assessor's Parcel(s), is in error may file a notice with the Review/Appeals Panel appealing the amount of the levy. The Review/Appeals Panel shall interpret this Rate and Method of Apportionment of the Special Taxes and make determinations relative to the annual administration of the Special Taxes and any landowner appeals, as herein specified. The time period used for calculating any refund shall be limited to the current fiscal year of the appeal.