

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.*

**\$12,540,000**  
**CITY OF ROSEVILLE**  
**VILLAGES AT SIERRA VISTA COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)**  
**SPECIAL TAX BONDS**  
**SERIES 2019**

**Dated: Date of Delivery****Due: September 1, as shown below**

The bonds captioned above (the "2019 Bonds"), are being issued by the City of Roseville (the "City") by and through its Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) (the "District"). The 2019 Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to the Resolution of Issuance (as defined herein) and a Fiscal Agent Agreement dated as of July 1, 2019 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). The 2019 Bonds are being issued to (i) construct and acquire certain public facilities of benefit to the District, (ii) provide for a deposit to a debt service reserve account for the 2019 Bonds, (iii) provide capitalized interest for debt service due on the 2019 Bonds through September 1, 2019, and (iv) pay costs of issuance of the 2019 Bonds. Interest on the 2019 Bonds is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2019. The 2019 Bonds represent the first series of special tax bonds issued for the District, and the issuance of additional parity bonds in the future is contemplated, subject to the conditions set forth in the Fiscal Agent Agreement. See "THE BONDS – Authority for Issuance" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Future Parity Bonds."

The 2019 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The 2019 Bonds are secured by and payable from a pledge of Special Tax Revenues (as defined herein) derived from Special Taxes (as defined herein) to be levied by the City on real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so.** To provide funds for payment of the 2019 Bonds and the interest thereon as a result of any delinquent Special Taxes, the City will establish a debt service reserve account for the 2019 Bonds from proceeds of the 2019 Bonds, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Property currently in the District and subject to the Special Tax comprises approximately 73 acres planned for 395 residential homes in the Sierra Vista Specific Plan, which is located in the northwest portion of the City. The land is currently solely owned by John Mourier Construction, Inc. ("JMC Homes"), which is developing the land into four distinct neighborhoods, with a total of 395 planned units, for sale to individual homeowners. This constitutes the initial phase of a larger development project being undertaken by JMC Homes in the area, and additional land is expected to annex into the District from a future annexation area established for the District at the time of formation. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

**The 2019 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS – Redemption."**

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF PLACER, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2019 BONDS. THE 2019 BONDS DO NOT CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

*This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the 2019 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the 2019 Bonds.*

*The 2019 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel and Kutak Rock LLP, Irvine, California, as counsel to the Underwriter. Certain legal matters will be passed upon for the City by the City Attorney. It is anticipated that the 2019 Bonds will be available for delivery to DTC on or about July 23, 2019.*

PiperJaffray®

**\$12,540,000**  
**CITY OF ROSEVILLE**  
**VILLAGES AT SIERRA VISTA COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)**  
**SPECIAL TAX BONDS**  
**SERIES 2019**

**MATURITY SCHEDULE**

**SERIAL BONDS: \$1,165,000**

Maturity (Sept. 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (777870)
2020	\$45,000	2.000%	1.750%	100.271%	ZX7
2021	60,000	2.000	1.920	100.163	ZY5
2022	75,000	2.000	2.030	99.909	ZZ2
2023	90,000	2.000	2.190	99.256	A22
2024	105,000	2.000	2.220	98.942	A30
2025	120,000	2.000	2.370	97.907	A48
2026	135,000	5.000	2.480	116.322	A55
2027	155,000	5.000	2.610	117.356	A63
2028	180,000	2.375	2.730	97.153	A71
2029	200,000	2.500	2.830	97.115	A89

\$700,000 3.000% Term Bond Due September 1, 2033; Yield 3.220%; Price: 97.519%  
 CUSIP†: A97

\$1,370,000 5.000% Term Bond Due September 1, 2036; Yield 3.000%; Price: 115.138%<sup>C</sup>  
 CUSIP†: B21

\$1,390,000 5.000% Term Bond Due September 1, 2039; Yield 3.070%; Price: 114.650%<sup>C</sup>  
 CUSIP†: B39

\$3,230,000 5.000% Term Bond Due September 1, 2044; Yield 3.210%; Price: 113.681%<sup>C</sup>  
 CUSIP†: B47

\$4,685,000 5.000% Term Bond Due September 1, 2049; Yield 3.260%; Price: 113.337%<sup>C</sup>  
 CUSIP†: B54

<sup>C</sup> Priced to optional call at 103% on September 1, 2026.

† Copyright 2019, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by Standard & Poor's Capital IQ, and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

# **CITY OF ROSEVILLE, CALIFORNIA**

## **City Council**

John Allard, *Mayor*  
Krista Bernasconi, *Vice Mayor*  
Scott Alvord, *Councilmember*  
Bruce Houdesheldt, *Councilmember*  
Pauline Roccucci, *Councilmember*

## **City Staff**

Dominick Casey, *City Manager*  
Dennis Kauffman, *Chief Financial Officer*  
Robert R. Schmitt, *City Attorney*  
Sonia Orozco, *City Clerk*

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## **SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**  
Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Municipal Advisor**  
Hilltop Securities Inc.  
*Encino, California*

**Appraiser**  
Integra Realty Resources  
*Sacramento, California*

**Special Tax Consultant and Administrator**  
Willdan Financial Services  
*Temecula, California*

**Fiscal Agent**  
The Bank of New York Mellon Trust Company, N.A.  
*San Francisco, California*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2019 Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the 2019 Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2019 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Involvement of Underwriter.** The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2019 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2019 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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## OFFICIAL STATEMENT

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**\$12,540,000**  
**CITY OF ROSEVILLE**  
**VILLAGES AT SIERRA VISTA COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES)**  
**SPECIAL TAX BONDS**  
**SERIES 2019**

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Roseville (the “**City**”) by and through its Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) (the “**District**”) of the bonds captioned above (the “**2019 Bonds**”).

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement. See APPENDIX F.*

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2019 Bonds to potential investors is made only by means of the entire Official Statement.*

**The City.** The City is located in the County of Placer (the “**County**”), which is located in the Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City presently occupies 43 square miles in the southwestern part of the County and is the largest city in the County as well as the residential and business center of the County. It is bordered by Sacramento County to the south, the City of Rocklin to the north and unincorporated County to the east and west. For additional information on the City and the County, see APPENDIX C.

**The District.** On March 21, 2018, the City Council of the City (the “**City Council**”), as legislative body of the District, adopted a Resolution of Intention to form the District under the Mello-Roos Community Facilities Act of 1982, as amended (the “**Act**”), to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on May 2, 2018, the City Council adopted a Resolution of Formation (the “**Resolution of Formation**”), which established the District and a future annexation area for the District (the “**Future Annexation Area**”), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$310,000,000. On the same day, an election was held within the District in which the qualified elector in the District, John Mourier Construction, Inc. (“**JMC Homes**”), approved

the proposed bonded indebtedness and the levy of the Special Tax. Change proceedings were undertaken in the District in January 2019 to amend the Special Tax Formula, which proceedings were approved by JMC Homes, as the qualified elector in the District. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT".

JMC Homes anticipates annexing additional lots into the District every few years as market conditions warrant. JMC Homes expects that each annexation will contain a similar number of lots as the initial number of lots in the District. However, the timing of each annexation and number of lots in each annexation may vary based on market conditions. Upon annexation of additional lots into the District additional bonds may be issued by the City on a parity with the 2019 Bonds upon the satisfaction of certain conditions set forth in the Fiscal Agent Agreement (defined below) in order to finance additional infrastructure improvements needed by JMC Homes for the development of the project.

**Authority for Issuance of the 2019 Bonds.** The 2019 Bonds are issued pursuant to the Act, a resolution adopted by the City Council on June 19, 2019 (the "**Resolution of Issuance**") and a Fiscal Agent Agreement dated as of July 1, 2019 (the "**Fiscal Agent Agreement**") between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "**Fiscal Agent**").

**Bond Terms.** The 2019 Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page of this Official Statement. Interest on the 2019 Bonds is payable on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing September 1, 2019. The 2019 Bonds will be issued without coupons in denominations of \$5,000 or any integral multiple thereof.

**Registration of Ownership of 2019 Bonds.** The 2019 Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). Ultimate purchasers of 2019 Bonds will not receive physical certificates representing their interest in the 2019 Bonds. So long as the 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the 2019 Bonds. Payments of the principal, premium, if any, and interest on the 2019 Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the 2019 Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**Use of Proceeds.** Proceeds of the 2019 Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements (the "**Improvements**," as described herein) as part of the development being undertaken by JMC Homes. The Improvements consist generally of water, wastewater, drainage, roadway and other infrastructure improvements necessary for development of property within the District and the surrounding area, as well as park and open space improvements (which include environmental mitigation costs). See "THE IMPROVEMENTS." Proceeds of the 2019 Bonds will also be deposited to a debt service reserve account for the 2019 Bonds, to provide capitalized interest for debt service due on the 2019 Bonds due September 1, 2019 and to pay costs of issuance.

**Security and Source of Payment of the Bonds.** As security for the payment of the Bonds, a special tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Amended Rate,

Method of Apportionment, and Manner of Collection of Special Tax for the District (the “**Special Tax Formula**”). The Special Tax Formula is set forth in its entirety in APPENDIX A hereto. Pursuant to the Special Tax Formula, a “Facilities Special Tax” will be levied and collected until the earlier of (i) the Transition Year or (ii) Fiscal Year 2082-83, and a “Maintenance Special Tax” will be levied and collected beginning in the Transition Year. *Only the “Facilities Special Tax” is pledged to the payment of the Bonds, and the definition of “Special Taxes” used in the Fiscal Agent Agreement and this Official Statement refers only to the “Facilities Special Tax” levied in accordance with the Special Tax Formula.* See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Special Tax Methodology.”

The 2019 Bonds are payable from the “**Special Tax Revenues**,” consisting of the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, net of the administration charge of the County (currently at 1%), but do not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure. The 2019 Bonds are also payable from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. See “–2019 Reserve Account of the Reserve Fund,” below.

The Special Taxes represent liens on the parcels of land subject to a Special Tax, and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology” and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

**Additional Parity Bonds.** The maximum authorized indebtedness for the District is \$310,000,000. The 2019 Bonds are the first series of special tax bonds issued under this authorization, and additional series of parity bonds are expected in the future to finance additional infrastructure improvements needed by JMC Homes for the development of the project as additional property is annexed into the District. In addition, the City may utilize a portion of the available authorized bond amount for the funding of certain deferred impact fees owed to the City, as described below under “– Use of Bond Authorization for Development Impact Fee Deferral Bonds.”

The principal amount of the 2019 Bonds has been sized based on the Special Taxes that can be generated for Improvements from property currently within the District. Additional parity bonds are expected to be issued for Improvements as property in the future annexation area is annexed into the District. These Additional Bonds are expected to be issued in an aggregate principal amount of approximately \$110,000,000, including the series 2019 Bonds. This approximate principal amount does not take into account refunding bonds and bonds issued to pay for the Development Impact Fee Deferral for territory on such property. However, the actual aggregate amount of Additional Bonds to fund Improvements and the Development Impact Fee Deferral may vary depending on interest rates at the time of bond issuance, the timing of each bond issue and other factors that may impact the timing and size of each bond issue.

The District may issue additional bonds secured by Special Tax Revenues on parity with the 2019 Bonds, upon the satisfaction of certain conditions set forth in the Fiscal Agent Agreement. Following the issuance of the 2019 Bonds in the amount of \$12,540,000, the remaining authorized amount of indebtedness to be issued is \$297,460,000. So long as the 2019 Bonds are outstanding, any future bonds issued for the District and secured on parity with the 2019 Bonds (herein, “**Additional Bonds**” and collectively with the 2019 Bonds, the “**Bonds**”) are required to meet certain

conditions of issuance as set forth in the Fiscal Agent Agreement, and no bonds having a lien senior to the lien of the 2019 Bonds are allowed. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Future Parity Bonds.”

**Use of Bond Authorization for Development Impact Fee Deferral Bonds.** In connection with the approval of development in the District, the City agreed that payment of certain impact fees owed by JMC Homes and merchant builders will be deferred (referred to as the “Development Impact Fee Deferral” in the Special Tax Formula) to allow payment of the deferred fees after the 2019 Bonds have been fully paid. The City expects to receive payment for the deferred impact fees either through continued collection of Special Taxes or through the issuance of future bonds after the 2019 Bonds have matured. If the City chooses to issue bonds to pay deferred impact fees, the remaining authorization will be available to be utilized by the City as a means therefor.

**2019 Reserve Account of the Reserve Fund.** In connection with the issuance of the 2019 Bonds, a Reserve Fund (the “Reserve Fund”) is being established under the Fiscal Agent Agreement, and within the Reserve Fund separate accounts are established for each series of Bonds. At the time of issuance of the 2019 Bonds, a reserve account for the 2019 Bonds will be established within the Reserve Fund (the “2019 Reserve Account”) pursuant to the Fiscal Agent Agreement and held by the Fiscal Agent for the benefit of the 2019 Bonds. The 2019 Reserve Account is available solely for the payment of debt service on the 2019 Bonds and no other parity obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.” If there are additional delinquencies after depletion of funds in the 2019 Reserve Account of the Reserve Fund, the City is not obligated to pay the 2019 Bonds or supplement the 2019 Reserve Account of the Reserve Fund.

**Appraised Value of Property.** Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for certain real property within the District, which sets forth an aggregate value of appraised taxable property in the District of \$48,015,000, as of May 1, 2019. The valuation assumes completion of the Improvements funded by the 2019 Bonds (but not any Additional Bonds that may be issued in the future) and accounts for the impact of the lien of the Special Tax and adds the estimated bond amount to the value of property. See “THE IMPROVEMENTS.” In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions, which affect the estimates as to value, in addition to the assumption of completion of the Improvements and the availability of certain of the proceeds of the 2019 Bonds to reimburse for completed Improvements. The Improvements to be paid for with proceeds of the 2019 Bonds are now complete. See “VALUE OF PROPERTY WITHIN THE DISTRICT – The Appraisal” and APPENDIX B.

The appraised value of property in the District is 3.80 times the \$12,540,000 aggregate principal amount of the 2019 Bonds and overlapping debt. This is an average, and individual parcels may vary widely from the average. See “VALUE OF PROPERTY WITHIN THE DISTRICT – Value to Special Tax Burden Ratios.”

Development of land in the District is underway by JMC Homes. See “THE DISTRICT – Anticipated Development in the District” and “OWNERSHIP OF PROPERTY WITHIN THE DISTRICT.”

**Risks of Investment.** See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2019 Bonds.

***Limited Obligation of the City.*** The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the 2019 Bonds. The 2019 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts, except the money in the funds established and pledged to the Bonds under the Fiscal Agent Agreement, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the 2019 Bonds is a general debt, liability or obligation of the City. The 2019 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restrictions, and neither the City Council, the City nor any officer or employee thereof are liable for the payment of the interest on or principal of or redemption premiums, if any, on the 2019 Bonds other than from the proceeds of the Special Taxes and the money in the funds established and pledged to the Bonds, as provided in the Fiscal Agent Agreement.

***Summary of Information.*** Brief descriptions of certain provisions of the Fiscal Agent Agreement, the Bonds and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Chief Financial Officer of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.*

## ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the 2019 Bonds follows:

Estimated Sources of Funds:

Principal Amount of 2019 Bonds	\$12,540,000.00
Plus: Net Original Issue Premium	1,494,294.65
Total	<hr/> \$14,034,294.65

Estimated Uses of Funds:

Deposit to Improvement Fund	\$12,441,925.78
Deposit to 2019 Reserve Account of the Reserve Fund <sup>(1)</sup>	1,071,581.14
Deposit to Bond Fund <sup>(2)</sup>	62,111.53
Costs of Issuance <sup>(3)</sup>	458,676.20
Total	<hr/> \$14,034,294.65

(1) Equal to the Reserve Requirement for the 2019 Bonds.

(2) Represents an amount scheduled to provide for capitalized interest due on the 2019 Bonds on September 1, 2019.

(3) Includes fees of bond and disclosure counsel, fees, expenses and charges of the Fiscal Agent, printing costs, fees of the special tax administrator, appraiser, and municipal advisor, Underwriter's discount, and other costs of issuance.

## THE BONDS

### Authority for Issuance

The 2019 Bonds are issued pursuant to the Fiscal Agent Agreement, the Resolution of Issuance and the Act.

On March 21, 2018, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on May 2, 2018, the City Council adopted the Resolution of Formation, which established the District and the Future Annexation Area, set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$310,000,000. On the same day, an election was held within the District in which the qualified elector in the District, JMC Homes, approved the proposed bonded indebtedness and the levy of the Special Tax. Change proceedings were undertaken in the District in January 2019 to amend the Special Tax Formula, which proceedings were approved by JMC Homes, as the qualified elector in the District. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below and APPENDIX A.

The 2019 Bonds has been sized based on the Special Taxes that can be generated for Improvements from property currently within the District. Additional parity bonds are expected to be issued for Improvements as property in the future annexation area is annexed into the District. These Additional Bonds are expected to be issued in an aggregate principal amount of approximately \$110,000,000, including the 2019 Bonds. This does not take into account refunding bonds and bonds issued to pay for the Development Impact Fee Deferral for territory on such property. However, the actual aggregate amount of Additional Bonds to fund Improvements and the Development Impact Fee Deferral may vary depending on interest rates at the time of bond issuance, the timing of each bond issue and other factors that may impact the timing and size of each bond issue.

### Description of the Bonds

**Bond Terms.** The 2019 Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. The 2019 Bonds are being issued in the denomination of \$5,000 or any integral multiple thereof.

Interest on the 2019 Bonds will be payable semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing September 1, 2019. The principal of the 2019 Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the 2019 Bonds; provided that so long as any 2019 Bonds are in book-entry form, payments with respect to such 2019 Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

**Book-Entry Only System.** The 2019 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available to ultimate purchasers under the book-entry system maintained by DTC. Ultimate purchasers of 2019 Bonds will not receive physical certificates representing their interest in the 2019 Bonds. So long as the 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will

not mean the ultimate purchasers of the 2019 Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the 2019 Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the 2019 Bonds. Disbursements of such payments to DTC's Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**Calculation and Payment of Interest.** Interest on the 2019 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the 2019 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs whether or not such day is a Business Day (the "**Record Date**") preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of 2019 Bonds; provided that so long as any 2019 Bonds are in book-entry form, payments with respect to such 2019 Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC. See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Each 2019 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2019 Bond, interest is in default thereon, such 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 2019 Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners are the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**Redemption**

**Optional Redemption.** The 2019 Bonds are subject to optional redemption from any source of available funds (other than Prepayments of the Special Tax by property owners), in whole or in part among maturities as specified by the City and by lot within a maturity, on any date on and after September 1, 2026 at the following respective redemption prices (expressed as percentages of the principal amount of the 2019 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2026 through August 31, 2027	103%
September 1, 2027 through August 31, 2028	102
September 1, 2028 through August 31, 2029	101
September 1, 2029 and any date thereafter	100

**Mandatory Redemption From Prepayments.** The 2019 Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2019 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2019 through and including March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and any Interest Payment Date thereafter	100

**Mandatory Sinking Fund Redemption.** The Term 2019 Bonds maturing September 1, 2033, September 1, 2036, September 1, 2039, September 1, 2044, and September 1, 2049 are subject to mandatory sinking payment redemption in part on September 1, 2030, September 1, 2030, September 1, 2037, September 1, 2040, and September 1, 2045, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

**Term 2019 Bonds Maturing September 1, 2033**

Mandatory Redemption Date (Sept. 1)	Sinking Fund Payment
2030	\$160,000
2031	175,000
2032	180,000
2033 (maturity)	185,000

**Term 2019 Bonds Maturing September 1, 2036**

Mandatory Redemption Date <u>(Sept. 1)</u>	Sinking Fund <u>Payment</u>
2030	\$60,000
2031	65,000
2032	85,000
2033	105,000
2034	320,000
2035	350,000
2036 (maturity)	385,000

**Term 2019 Bonds Maturing September 1, 2039**

Mandatory Redemption Date <u>(Sept. 1)</u>	Sinking Fund <u>Payment</u>
2037	\$425,000
2038	460,000
2039 (maturity)	505,000

**Term 2019 Bonds Maturing September 1, 2044**

Mandatory Redemption Date <u>(Sept. 1)</u>	Sinking Fund <u>Payment</u>
2040	\$545,000
2041	595,000
2042	645,000
2043	695,000
2044 (maturity)	750,000

**Term 2019 Bonds Maturing September 1, 2049**

Mandatory Redemption Date <u>(Sept. 1)</u>	Sinking Fund <u>Payment</u>
2045	\$805,000
2046	870,000
2047	935,000
2048	1,000,000
2049 (maturity)	1,075,000

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption or mandatory redemption of the 2019 Bonds.

***Purchase In Lieu of Redemption.*** In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2019 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2019 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

**Redemption Procedure by Fiscal Agent.** The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2019 Bonds designated for redemption, at their addresses appearing on the registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2019 Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding 2019 Bonds are to be called for redemption, will designate the CUSIP numbers and bond numbers of the 2019 Bonds to be redeemed by giving the individual CUSIP number and bond number of each 2019 Bond to be redeemed or will state that all 2019 Bonds between two stated bond numbers, both inclusive, are to be redeemed or that all of the 2019 Bonds of one or more maturities have been called for redemption, will state as to any 2019 Bond called in part the principal amount thereof to be redeemed, and will require that such 2019 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such 2019 Bonds will not accrue from and after the redemption date.

The City has the right to rescind any notice of the optional redemption of 2019 Bonds and such notice may be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2019 Bonds then called for redemption.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2019 Bonds of any maturity, the City will select the 2019 Bonds to be redeemed, from all 2019 Bonds or such given portion thereof of such maturity by lot in any manner which the City in its sole discretion deems appropriate that results in relatively uniform debt service. Upon surrender of 2019 Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new 2019 Bond or 2019 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2019 Bond or 2019 Bonds.

**Effect of Redemption.** From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2019 Bonds so called for redemption are deposited in the Bond Fund, such 2019 Bonds so called will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

## **Transfer or Exchange of Bonds**

So long as the 2019 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2019 Bonds will be made in accordance with DTC procedures. See “APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM.” Any 2019 Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2019 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2019 Bond or 2019 Bonds are surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new 2019 Bond or 2019 Bonds, for a like aggregate principal amount of 2019 Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfers or exchanges of 2019 Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of 2019 Bonds for redemption or (ii) with respect to a 2019 Bond after such 2019 Bond has been selected for redemption.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### Special Taxes

The Bonds (consisting of the 2019 Bonds and any Additional Bonds that may be issued in the future) are payable from and secured by proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes (but excluding any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure), and net of a 1% administration charge of the County (the “**Special Tax Revenues**”). All of the Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided herein, in the Improvement Fund and the Special Tax Fund are pledged to secure the repayment of the Bonds. In addition, with respect to each Series of Bonds, all moneys in the applicable subaccount of the Reserve Fund for such Series is pledged to secure the repayment of the applicable Series. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, including any mandatory sinking fund payments, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or defeased in accordance with the Fiscal Agent Agreement.

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax amount determined by the City Council through the application of the Special Tax Formula administered by Willdan Financial Services, Temecula, California (the “**Special Tax Administrator**”) and set forth in APPENDIX A hereto for all taxable properties in the District. Prior to remittance of the Special Tax collections to the City, the County deducts and retains a 1% County administration fee, as noted above. Interest and principal on the Bonds is payable from the annual Special Tax Revenues to be paid to the City from Special Tax levies and collections on taxable property within the District, from amounts held in certain funds and accounts established under the Fiscal Agent Agreement and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to the Special Tax Formula approved by the City. See “Special Tax Methodology” below and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District, which is set forth in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount not in excess of the maximum approved amount. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Facilities Costs (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within the District according to the

rate and methodology set forth in the Special Tax Formula. See “Special Tax Methodology” below. See also “APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The City may levy the Special Tax up to the amount of the Maximum Annual Facilities Special Tax set forth in the Special Tax Formula, if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Annual Facilities Costs (as defined below). Because each Special Tax levy is limited to the Maximum Annual Facilities Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Annual Facilities Costs will in fact be collected in any given year. In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. See “SPECIAL RISK FACTORS – Tax Delinquencies” herein. The Special Taxes are collected for the City by the County in the same manner and at the same time as *ad valorem* property taxes.

### **Special Tax Methodology**

Pursuant to the Special Tax Formula, a “Facilities Special Tax” will be levied and collected until the earlier of (i) the Transition Year or (ii) Fiscal Year 2082-83, and a “Maintenance Special Tax” will be levied and collected beginning in the Transition Year. For the definition of “Transition Year” and related matters, see APPENDIX A. *Only the “Facilities Special Tax” is pledged to the payment of the Bonds, and the definition of “Special Taxes” used in the Fiscal Agent Agreement and this Official Statement refers only to the “Facilities Special Tax” levied in accordance with the Special Tax Formula. Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.*

**Determination of Annual Facilities Costs.** Each year, the City will determine the Annual Facilities Costs of the District for the upcoming Fiscal Year. The “**Annual Facilities Costs**” includes the following amounts (less any available earnings on any reserve fund, special tax funds, available capitalized interest or any other available revenues):

- (i) Debt Service to be paid from Facilities Special Taxes;
- (ii) the amount needed to replenish bond reserve funds to the level required by Bond documents, to the extent not included in a computation of Annual Facilities Costs in a previous Fiscal Year;
- (iii) Administrative Expenses for such Fiscal Year;
- (iv) the amount needed to (1) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year, and (2) to fund any foreseeable deficiency of the amount to be available for the payment of principal or interest on Bonds which are expected to occur in the current or any previous Fiscal Year, to the extent not already included in the calculation of Annual Facilities Costs;
- (v) the amount needed to (1) cure any delinquencies in the payment of the Facilities Special Taxes in the prior Fiscal Year, (2) to fund any foreseeable deficiency of the amount to be available for the payment of Facilities Special Taxes which are expected to

occur in such Fiscal Year, in each case, to the extent not already included in the calculation of Annual Facilities Costs;

(vi) pay-as-you-go expenditures for authorized improvements; and

(vii) during the Deferral Bonding Period, the amount needed to pay Development Impact Fee Deferrals not financed by Bonds.

The Annual Facilities Costs is the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the Maximum Annual Facilities Special Tax identified for each parcel in the Special Tax Formula.

***Parcels Subject to the Facilities Special Tax.*** The Special Tax Formula designates five “original parcels,” corresponding to five separate development areas within the District. The City will prepare a list of the parcels subject to the Special Tax using the records of the City and the County Assessor. The City will tax parcels within each zone within the District pursuant to the Special Tax Formula. Taxable Parcels that are acquired by a public agency after the District is formed will remain subject to the Facilities Special Tax unless a “trade” resulting in no loss of Facilities Special Tax revenue can be made, as described in the Special Tax Formula.

***Limitation on Increases in Levy of Facilities Special Tax.*** If owners are delinquent in the payment of Facilities Special Taxes, the City may not increase Facilities Special Tax levies to make up for delinquencies for prior Fiscal Years above the Maximum Facilities Special Tax rates specified for each category of property within the District. In addition, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the Bonds. See “SPECIAL RISK FACTORS.”

***Duration of the Facilities Special Tax; Transition Year.*** The Facilities Special Tax will be levied and collected (up to maximum allowable amount) until the earlier of (i) the Transition Year or (ii) Fiscal Year 2082-83. Transition Year means the first Fiscal Year following the Fiscal Year in which the Transition Event occurred, and Transition Event means the earlier of (i) after the Initial Bonding Period, the Fiscal Year in which the Administrator determines the Development Impact Fee Deferral has been repaid in full to the City and the City determines funding is no longer needed for Annual Facilities Costs, or (ii) Fiscal Year 2083-84. Initial Bonding Period means the period in which Bonds are outstanding or refunded which financed Authorized Facilities costs other than the Development Impact Fee Deferral.

***Prepayment of the Facilities Special Tax.*** The Special Tax Formula provides that landowners may prepay some of the Facilities Special Tax by a cash settlement with the City. The amount of the prepayment required is to be calculated according to a formula set forth in the Special Tax Formula, which is generally based on the net present value of the remaining years in which the Facilities Special Tax will be collected, including the effect of a 2% per year escalation factor applicable for the time Bonds remain outstanding using a discount rate equal to the most current yield for the 30-year Treasury Constant Maturity as the discount factor, plus an amount representing the Development Impact Fee Deferral Amount (which amount is not available for prepayment of the Bonds), all as described in Section 8 of the Special Tax Formula set forth in APPENDIX A.

Prepayment is only allowed if the City determines that the prepayment does not jeopardize its ability to make timely payments of debt service on outstanding Bonds.

### **Levy of Annual Special Tax; Maximum Special Tax**

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds, replenishment of the Reserve Fund, certain delinquencies, administration of the District, and for payment of pay-as-you-go expenditures (to the extent permitted by the City) of the authorized District-funded facilities not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the maximum identified for each parcel in the Special Tax Formula.

For the 307 planned low-density-residential (LDR) units in the initial boundary of the District, the Maximum Annual Facilities Special Tax for Fiscal Year 2019-20 equals \$1,836 per unit, while for the 88 planned medium-density-residential (MDR) units in the initial boundary of the District, the Maximum Annual Facilities Special Tax for Fiscal Year 2019-20 equals \$1,632 per unit. However, these amounts are subject to adjustment based upon the actual number of units built (in the event that less homes are built than are expected in the Special Tax Formula). The Maximum Annual Facilities Special Tax (as defined in the Special Tax Formula) shall escalate by 2% per year until the Transition Event, and thereafter shall no longer be levied. See "APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and for a table showing the expected land uses and assigned Maximum Special Taxes, see "Attachment 2" in such Appendix.

**Annual Special Tax Levy.** The Special Tax will be levied each year by calculating amount needed to be generated by all Taxable Parcels in the District; the Special Tax (up to the maximum allowable amount) will be levied against each Taxable Parcel until the Special Tax revenue equals such amount; however, the Special Tax Formula establishes a priority for which properties will be levied a Special Tax. First, all "Developed Parcels" in the District receive a levy. If additional amounts are needed, a levy is made against each "Small Lot Tentative Map Parcel" in the District, then each "Large Lot Parcel" in the District, then each "Undeveloped Parcel" in the District. For single-family detached property, Developed Parcels are parcels shown on a Final Small Lot Subdivision Map recorded prior to May 1 of the preceding Fiscal Year. See "APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The City covenants in the Fiscal Agent Agreement to fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the Special Tax Formula. The Special Tax is authorized to be levied in an amount not to exceed the Maximum Special Tax levy as described in the Special Tax Formula notwithstanding that a lower amount is sufficient to pay debt service on the Bonds. The Special Tax Formula provides a mechanism whereby the City may utilize the pay-as-you-go component to pay for and/or reimburse developers for a portion of the cost of Improvements not funded by proceeds of the bonds issued for the District. Proceeds of the annual Special Tax levy will first be used to pay the "Annual Facilities Costs" (which include debt service payments on the Bonds) other than pay-as-you-go expenditures, and the City contemplates that the levy will include a pay-as-you-go component in an amount equal to the Maximum Annual Facilities Special Tax on Developed Parcels, for deposit into the Improvement Fund for authorized costs not funded from Bond proceeds. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." See also "SECURITY AND SOURCES OF

PAYMENT FOR THE BONDS – Special Tax Methodology” above. See “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” for a copy of the Special Tax Formula.

### **Special Tax Fund**

When received, the Special Tax Revenues are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the City has established and will maintain the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue, if any, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenue will be deposited in the Special Tax Fund upon receipt. Prior to each Interest Payment Date, the City will withdraw from the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the reserve accounts of the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement with respect to each series of Bonds, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date; provided, however, that as soon as practicable after the receipt by the City of any prepayments of Special Taxes, but no later than 10 Business Days after such receipt, the City shall transfer such prepayments to the Fiscal Agent for deposit into the Prepayment Account to be used for the redemption of Bonds. At such time as deposits to the Special Tax Fund equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the reserve accounts of the Reserve Fund balance to the Reserve Requirement with respect to each series of Bonds, the amount in the Special Tax Fund in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 2nd of each year. From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay the City’s administrative expenses and County fees; provided that such transfers will not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for administrative expenses. Moneys in the Surplus Account may also be transferred, at the City’s discretion, to the Improvement Fund to pay for costs of the Improvements (including reimbursements to developers for the cost of Improvements not funded from proceeds of bonds issued for the District) or authorized facility contributions, to pay the principal of, premium, if any, and interest on the Bonds or to replenish amounts in the Reserve Fund. See “THE IMPROVEMENTS – Construction and Acquisition of the Improvements.”

### **Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure**

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City’s option, the Special Taxes may be billed directly to property owners or collected at a different time to meet the City’s financial obligations. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior fiscal year, and if the City determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the

Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided*, that if the City determines on the basis of such review that (a) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (b) property owned by any single property owner in the District is delinquent cumulatively by more than \$3,250 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the District), then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner.

Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price that will be sufficient to pay or reimburse the delinquent special taxes.

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the Maximum Annual Facilities Special Tax rates set forth in the Special Tax Formula, the City may adjust the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund. However, such adjustment is subject to the Maximum Annual Facilities Special Tax and to the limitation described under the caption “–Special Tax Methodology” above.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor’s filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments. See “APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Priority of Lien.”

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest

and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

### **2019 Reserve Account of Reserve Fund**

In connection with the issuance of the 2019 Bonds, a Reserve Fund (the “**Reserve Fund**”) is being established under the Fiscal Agent Agreement. In addition, a reserve account for the 2019 Bonds (previously defined as the “**2019 Reserve Account**”) will be established within the Reserve Fund to be held by the Fiscal Agent for the benefit of the 2019 Bonds.

Upon delivery of the 2019 Bonds, the Fiscal Agent will deposit an amount of the proceeds into the 2019 Reserve Account of the Reserve Fund so that the amount therein equals the “**Reserve Requirement**,” which means, with respect to any series of Bonds, the least of (i) 125% of the average Annual Debt Service with respect to the applicable series of Bonds; (ii) Maximum Annual Debt Service with respect to the applicable series of Bonds; and (iii) 10% of the original principal amount of the applicable series of Bonds (or, if the applicable series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of such series of Bonds); provided, that—

(a) the Reserve Requirement for the 2019 Bonds shall not increase after the date of issuance of the 2019 Bonds;

(b) in no event shall the City be obligated to deposit an amount in any reserve fund in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, if the amount of any such deposit is so limited, the Reserve Requirement shall be only the amount of such deposit as permitted by the Code; and

(c) the City may meet all or a portion of the Reserve Requirement with respect to any series of Bonds by depositing a Qualified Reserve Fund Credit Instrument.

For each series of Additional Bonds, the Fiscal Agent shall establish a separate subaccount within the Reserve Fund for such series and moneys in each subaccount shall be held in trust by the Fiscal Agent for the benefit of the Owners of the respective series of Bonds.

The City has the right to either meet the Reserve Requirement at the time of issuance of a series of Bonds or at any time thereafter to cause the Fiscal Agent to release cash from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (1) a Qualified Reserve Fund Credit Instrument, and (2) in the case of a release, an opinion of Bond Counsel stating that such release will not, of itself, cause the portion of the interest on the Bonds secured thereby to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent in connection with a release of cash, the Fiscal Agent will transfer such funds to the City. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, if applicable, the City is obligated either to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or to deposit or cause to be deposited with the Fiscal

Agent an amount of funds such that the funds on deposit in the Reserve Fund together with all Qualified Reserve Fund Credit Instruments held by the Fiscal Agent is at least equal to the Reserve Requirement (which funds may come from a draw by the Fiscal Agent on the Qualified Reserve Fund Credit Instrument prior to its expiration).

**“Qualified Reserve Fund Credit Instrument”** means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is rated in the top two categories (without regard to modifier) by S&P or Moody’s at the time of issuance; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement being met by such instrument or with respect to which funds are proposed to be released pursuant to the Fiscal Agent Agreement; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to the Fiscal Agent Agreement.

Whenever, on the Business Day prior to any Interest Payment Date, the amount in any reserve account within the Reserve Fund exceeds the Reserve Requirement for the applicable series of Bonds covered by such reserve account, the Fiscal Agent shall provide written notice to the Chief Financial Officer of the amount of the excess. The Chief Financial Officer shall advise the Fiscal Agent in writing of the amount, if any, of any transfer required pursuant to the Fiscal Agent Agreement, and otherwise direct the Fiscal Agent to transfer an amount equal to the excess to the Improvement Fund, if the Project has not been completed as of the date of such transfer, or if the Project has been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Outstanding Bonds covered by the applicable reserve account in accordance with the Fiscal Agent Agreement; provided, that to the extent that such excess results from the prepayment of Special Taxes and redemption of Bonds, such amount shall be transferred to the Prepayment Account and applied to the corresponding redemption of Bonds.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. If the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

## **Improvement Fund**

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held in trust by the Fiscal Agent and will be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Improvements in accordance with the Acquisition Agreement (as described herein). Interest earnings from the investment of amounts in the Improvement Fund will be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Upon completion of the Improvements and payment to JMC Homes or other entities that are due reimbursement for Improvements, the Fiscal Agent will transfer the amount, if any, remaining in

the Improvement Fund to the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement, and the Improvement Fund will be closed. See "THE IMPROVEMENTS."

### **Future Parity Bonds**

The Resolution of Formation authorizes the issuance of up to \$310,000,000 of special tax bonds for the District, of which the 2019 Bonds represent the first series. The City expects that it will, by a Supplemental Agreement, authorize the issuance of one or more additional series of Bonds (previously defined as the "**Additional Bonds**") payable from Special Taxes and secured by the Special Tax Revenues on a parity with the 2019 Bonds, as development progresses in the District and upon compliance by the City with the conditions set forth in the Fiscal Agent Agreement, which include the following:

(i) There shall be deposited into a reserve account of the Reserve Fund, an amount at least equal to the Reserve Requirement with respect to such Additional Bonds.

(ii) For each Bond Year the Additional Bonds are Outstanding, projected Special Taxes Revenues, if levied at the maximum annual Special Tax rates per the Special Tax Formula, in each Fiscal Year are at least equal to 110% of Debt Service due in the Bond Year that begins in the corresponding Fiscal Year, as calculated by the special tax consultant to the City.

(iii) Both of the following conditions are met:

(A) Regarding All Parcels in the District: The aggregate value of all parcels in the District subject to the Special Tax, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the Additional Bonds, as determined by an MAI appraisal, assessed valuations shown on the then current County tax roll, or by a combination of both methods, is at least 3.00 times the sum of (1) the aggregate principal amount of all Bonds then Outstanding, plus (2) the aggregate principal amount of the Additional Bonds proposed to be issued, plus (3) the aggregate principal amount of any bonds then outstanding and payable from assessments which are a lien against property in the District, plus (4) a portion of the aggregate principal amount of all bonds issued under the Act, other than Bonds then Outstanding, payable at least partially from special taxes to be levied on parcels of land subject to the Special Tax within the District (the "**Other Mello-Roos Bonds**") equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on parcels of land within the District subject to the Special Tax, and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land subject to the Special Tax against which the special taxes are levied to pay the Other Mello-Roos Bonds (such fraction to be determined based upon the special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos Bonds occurs), based upon information from the most recent available Fiscal Year.

(B) Regarding Recently Annexed Parcels: The aggregate value of the Recently Annexed Parcels, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the Additional Bonds, as determined by an MAI appraisal, assessed valuations shown on the then current

County tax roll, or by a combination of both methods, is at least 3.00 times the sum of (1) the Attributable Principal Amount of all Bonds then Outstanding, plus (2) the Attributable Principal Amount of the Additional Bonds proposed to be issued, plus (3) the Attributable Principal Amount of any bonds then outstanding and payable from assessments which are a lien against property in the District, plus (4) the Attributable Principal Amount of the allocation of Other Mello-Roos Bonds determined to be applicable to the District pursuant to subsection (i) directly above.

As used herein, "Recently Annexed Parcels" means all parcels in the District subject to the Special Tax which were annexed into the District following the closing date for the then-most recently issued series of Bonds, and "Attributable Principal Amount" means for the Bonds and Additional Bonds, calculated separately, an amount equal to the aggregate outstanding principal amount of such Bonds and Additional Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that will be levied for such Bonds and Additional Bonds on Recently Annexed Parcels in the first fiscal year in which the levy includes debt service for the applicable series of Additional Bonds, and the denominator of which is the total amount of special taxes that will be levied for the Bonds and Additional Bonds on all parcels of land in the District against which the special taxes are levied to pay the Bonds and Additional Bonds in such fiscal year.

Additional Bonds may be issued for the purpose of refunding any outstanding Bonds without meeting the foregoing conditions so long as debt service on the refunding Bonds in each Bond Year is less than debt service on the Bonds refunded.

Nothing in the Fiscal Agent Agreement shall be interpreted to prohibit issuance of bonds or Additional Bonds secured on a subordinate basis to the Bonds.

In connection with the approval of development in the District, the City has agreed that payment of certain impact fees owed by JMC Homes will be deferred (referred to as the "Development Impact Fee Deferral" in the Special Tax Formula) to allow payment of the deferred fees after the 2019 Bonds have been fully paid. The City expects to receive payment for the deferred impact fees either through continued collection of Special Taxes or through the issuance of future bonds after the 2019 Bonds have matured. If the City chooses to issue bonds to pay deferred impact fees, the remaining authorization will be available to be utilized by the City as a means therefor.

## DEBT SERVICE SCHEDULE

The annual debt service on the 2019 Bonds, based on the interest rates and maturity schedule set forth on the cover of this Official Statement and assuming no early redemptions, is set forth below.

### City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2019 Debt Service – 2019 Bonds

<b>Year Ending (Sept. 1)</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2019	-	\$62,111.53	\$62,111.53
2020	\$45,000.00	588,425.00	633,425.00
2021	60,000.00	587,525.00	647,525.00
2022	75,000.00	586,325.00	661,325.00
2023	90,000.00	584,825.00	674,825.00
2024	105,000.00	583,025.00	688,025.00
2025	120,000.00	580,925.00	700,925.00
2026	135,000.00	578,525.00	713,525.00
2027	155,000.00	571,775.00	726,775.00
2028	180,000.00	564,025.00	744,025.00
2029	200,000.00	559,750.00	759,750.00
2030	220,000.00	554,750.00	774,750.00
2031	240,000.00	546,950.00	786,950.00
2032	265,000.00	538,450.00	803,450.00
2033	290,000.00	528,800.00	818,800.00
2034	320,000.00	518,000.00	838,000.00
2035	350,000.00	502,000.00	852,000.00
2036	385,000.00	484,500.00	869,500.00
2037	425,000.00	465,250.00	890,250.00
2038	460,000.00	444,000.00	904,000.00
2039	505,000.00	421,000.00	926,000.00
2040	545,000.00	395,750.00	940,750.00
2041	595,000.00	368,500.00	963,500.00
2042	645,000.00	338,750.00	983,750.00
2043	695,000.00	306,500.00	1,001,500.00
2044	750,000.00	271,750.00	1,021,750.00
2045	805,000.00	234,250.00	1,039,250.00
2046	870,000.00	194,000.00	1,064,000.00
2047	935,000.00	150,500.00	1,085,500.00
2048	1,000,000.00	103,750.00	1,103,750.00
2049	1,075,000.00	53,750.00	1,128,750.00
<b>Total</b>	<b>\$12,540,000.00</b>	<b>\$13,268,436.53</b>	<b>\$25,808,436.53</b>

*Source: Underwriter.*

## THE SIERRA VISTA SPECIFIC PLAN

The Sierra Vista Specific Plan (“**SVSP**”) is the primary land use, policy and regulatory document used to guide development of the project area. The Specific Plan establishes a development framework for land use, affordable housing, resource protection, circulation, utilities and services, implementation and design. The intent is to promote the systematic and orderly development of the plan area. All subsequent development projects and related activities in the SVSP area are required to be consistent with the SVSP. The SVSP implements the goals and policies of the City of Roseville General Plan and augments these goals and policies by providing specific direction to reflect conditions unique to the project and Plan Area. The General Plan serves as the long-term policy guide for the physical, economic and environmental growth of the City. The property within the District was included within the SVSP at adoption, and is a component of the SVSP. The full text of the SVSP is available on the City’s website.

***Land Use Concept.*** The SVSP is planned primarily as a residential community, with a significant commercial and employment center along Baseline Road, which properties are not part of the District and not subject to the Special Taxes securing the Bonds. The overall mix and intensity of uses is similar to that found in adjacent portions of the City. The SVSP also provides for recreation, open space, employment and educational opportunities available to residents both within and outside the SVSP area.

The primary elements that comprise the form of the SVSP land use plan include: the residential neighborhoods; a range of commercial and employment uses, schools, parks and open space, as more particularly described below.

***Residential Neighborhoods*** - A variety of housing styles similar to that found elsewhere in the City are planned, including affordable housing and designated age restricted neighborhoods. High density residential comprises approximately 30% of planned residential uses.

***Commercial and Employment*** - A range of commercial and employment uses are proposed within the SVSP, including commercial mixed-use, business professional mixed-use, and community commercial uses. Conventional commercial sites are provided as well, typically along arterial roadways. The SVSP’s employment and service uses are intended to complement and further diversify the City’s employment, retail, service, and revenue base.

***Neighborhood Parks*** - Neighborhood parks are proposed throughout the SVSP, some are located adjacent to the elementary schools and middle school sites, maximizing the potential for joint-use opportunities with the outdoor recreation facilities. Park facilities range from approximately one to approximately 10 acres in size. Some of the SVSP’s neighborhood parks would be linked to a system of paseos, providing a comprehensive network of pedestrian and bikeway connections to the SVSP’s parks and open space system. Neighborhood parks typically include a mix of soccer and baseball fields, tot lots, playgrounds, picnic area, and hard surface game courts.

***Open Space*** - Approximately 317 acres of the SVSP are proposed as Open Space, comprising approximately 15 percent of the total project site acreage. Open Space land use and zoning is generally applied to lands that are environmentally sensitive or otherwise significant due to habitat, natural features, or man-made features. Open space corridors provide for passive recreation opportunities, preservation of significant resources, viewsheds, potential floodwater conveyance and retention, resource mitigation, wildlife

movement corridors, and can function to improve the interface between uses. In many locations, the preserve area accommodates a dedicated Class I pedestrian pathway to be shared with a vehicle maintenance road for maintenance activities. In addition, open space areas could accommodate utility lines and provide the conduit for drainage and space for storm water treatment and detention facilities within the SVSP area. Any disturbance or construction within open space preserve areas of the SVSP would comply with the provisions of the Army Corps of Engineers approved Open Space Management Plan and Section 404 permit requirements.

**Land Use Plan.** The SVSP land use plan includes a blend of residential, service, employment, open space and public uses. The SVSP area is statistically projected to house approximately 22,045 residents and in excess of 9,000 employees. The SVSP includes a total of 8,679 dwelling units on approximately 2,064 gross acres. Proposed land uses include a total of approximately 317 acres set aside in open space; 106 acres for dedication to parks; 71 acres of public/quasi-public uses; 190 acres of community commercial; 27 acres of business professional; and 41 acres of commercial mixed use.

## THE DISTRICT

### Location and Description of the District and the Immediate Area

**General.** John Mourier Construction, Inc. (referred to herein as “JMC Homes”) is developing approximately 73.6 acres of property into 395 residential units, within the initial boundary of the District. The District is located in the SVSP area, which is in the northwest portion of the City. Property in the District is within the Center Joint Unified School District. The property was annexed into the City in 2010 when the property was owned by Mourier Investments, LLC (“MILLC”), an investment affiliate of JMC Homes. Areas of future annexation into the District are currently owned by MILLC and consist of approximately 604 acres of property. The land owned by JMC Homes and MILLC in the SVSP area is generally level topography, currently with large open annual grassland areas. The SVSP has targeted a majority of the creek corridors, and a portion of the seasonal wetlands, for preservation in permanent open space. See “THE SIERRA VISTA SPECIFIC PLAN” above.

**Map.** A map showing the entire project, including both the initial boundary of the District and the areas in the Future Annexation Area, is shown on the following page. The pages following thereafter provide aerial overviews of portions of land within the District; the aerials do not show all of the property in the District.

PROPOSED BOUNDARY OF

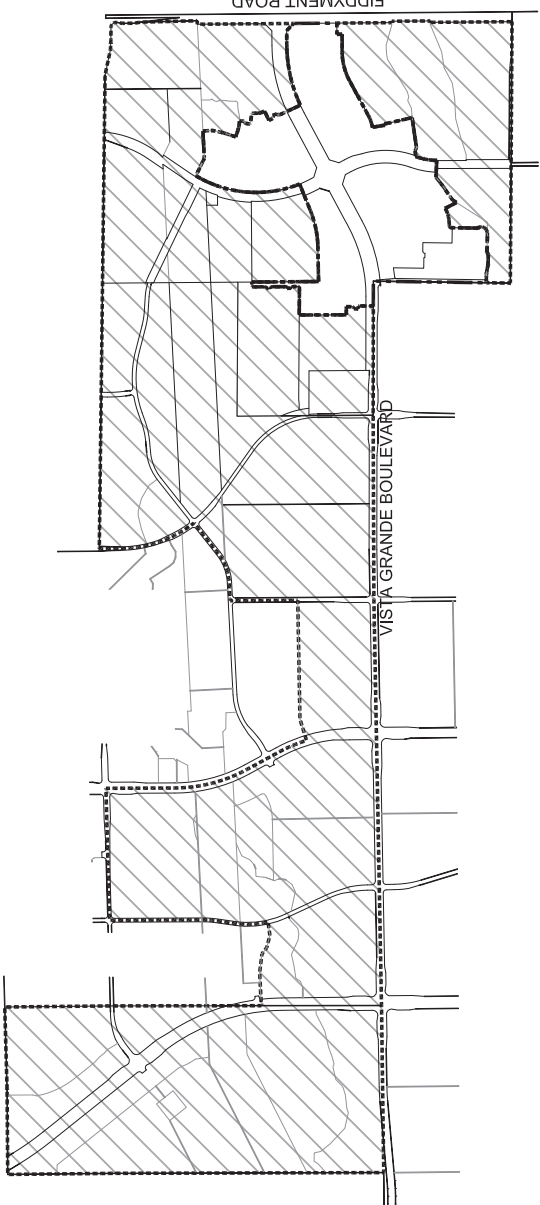
# THE VILLAGES AT SIERRA VISTA

COMMUNITY FACILITIES DISTRICT NO. 1  
(PUBLIC FACILITIES)

CITY OF ROSEVILLE, COUNTY OF PLACER, STATE OF CALIFORNIA  
SCALE: 1" = 800'



LEGEND:  
[Dashed line symbol] PROPOSED CFD BOUNDARY  
[Dotted line symbol] AREAS OF FUTURE ANNEXATION



**CITY CLERK'S STATEMENT:**

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF ROSEVILLE, COUNTY OF PLACER,  
STATE OF CALIFORNIA THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2018.

SONIA OROZCO, CITY CLERK  
CITY OF ROSEVILLE  
PLACER COUNTY, CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE  
VILLAGES AT SIERRA VISTA COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES), CITY  
OF ROSEVILLE, COUNTY OF PLACER, STATE OF CALIFORNIA WAS APPROVED BY THE CITY  
COUNCIL OF THE CITY OF ROSEVILLE, AT A REGULAR MEETING THEREOF HELD ON THE \_\_\_\_  
DAY OF \_\_\_\_\_, 2018, BY ITS RESOLUTION NUMBER, \_\_\_\_\_.

SONIA OROZCO, CITY CLERK  
CITY OF ROSEVILLE  
PLACER COUNTY, CALIFORNIA

**RECORDER'S STATEMENT:**

FILED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2018, AT THE HOUR OF \_\_\_\_ O'CLOCK, \_\_\_\_ A.M.,  
IN BOOK \_\_\_\_\_ OF MAPS OF COMMUNITY FACILITIES DISTRICT, AT PAGE \_\_\_\_\_  
IN THE OFFICE OF THE RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA.

RYAN RONCO  
PLACER COUNTY RECORDER

FEE: \_\_\_\_\_ BY: \_\_\_\_\_ DEPUTY

MAP PREPARED BY: \_\_\_\_\_ FEBRUARY, 2018



**BAKER-WILLIAMS ENGINEERING GROUP**  
Engineering / Surveying / Land Planning / Entitlement Processing / GPS Services  
6020 Putland Drive, Suite 119 - Carmichael, CA, 95608  
(916) 331-3333 - Fax: (916) 331-4488 - office@bakerwilliams.com



JM-3A Phase 1

CFD No. 1  
District Boundary

JM-4A Phase 1

JM-20A Phase 1

JM-4B Phase 2



JM-2A Phase 1

JM-3A Phase 1

CFD No.1  
District Boundary

JM-4A Phase 1

JM-20A Phase 1

## Entitlements and Anticipated Development

*JMC Homes has provided the following information with respect to entitlements and anticipated development of land in the District. No assurance can be given that all information is complete. No assurance can be given that development of land in the District will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the SVSP, the Development Agreements described herein and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.*

**Overview.** As noted above, development within the initial District boundary is anticipated by JMC Homes to be consistent with the SVSP land uses, which primarily consist of low-density and medium-density residential neighborhoods. Permitted land uses are configured to reinforce the neighborhood identity and sense of community. See “THE SIERRA VISTA SPECIFIC PLAN” above.

MILLC and JMC Homes currently own approximately 677 acres in the SVSP area, which is approved for development in the SVSP for 2,839 residential units and 25.3 acres of non-residential (retail/office) uses. JMC Homes is a homebuilder and expects to build-out the entirety of the 395 residential units in the initial boundary of the District over time. Further, JMC Homes expects to purchase the property comprising the future annexation areas from MILLC, as market conditions warrant.

**Entitlements.** The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map conditions. The land received full land use approval in 2010, including, but not limited to, approval of Specific Plan Zoning and Development Agreements, and subsequently received a Section 404 (wetlands) permit, California Water Board Section 401 Certification, and U.S. Fish and Wildlife Service Biological Opinion. The 395 lots in the initial District boundary received a grading permit and site improvement plans from the City. Site development commenced in May 2018 and concluded in April 2019, and the improvements have been accepted by the City.

Property currently within the District encompasses approximately 73 gross acres, planned for development into 395 residential units. Property in the Future Annexation Area encompasses approximately 604 gross acres, planned for development into an additional 2,444 residential units; these parcels are not currently in the District and are therefore not currently subject to the Special Tax securing the Bonds. There are no units in the initial District boundary that are designated as affordable high-density residential units not subject to a Special Tax. JMC Homes anticipates annexing additional lots into the District every few years as market conditions warrant. JMC Homes expects that each annexation will contain a similar number of lots as the initial number of lots in the District. However, the timing of each annexation and number of lots in each annexation may vary based on market conditions. Further, the City and JMC Homes could choose to create new community facilities districts or separate improvement areas for land within the Future Annexation Area.

The table on the following page shows the entitlements for all of the land owned by MILLC and JMC Homes in the SVSP. Currently, only parcels JM-2A, JM-3A, JM-4 and JM-20A are located within the boundary of the District and subject to the Special Tax securing the Bonds.

**Table 1**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Planned Units in District and Future Annexation Area**

**Initial District Boundary – Owned by JMC Homes**

<b>Village (Parcel)</b>	<b>Land Use</b>	<b>Acres</b>	<b>Planned Units</b>
JM-2A	LDR	15.3	92
JM-3A	LDR	19.5	83
JM-4	LDR	25.6	132
JM-20A	MDR	12.4	88
<b>Total</b>		<b>72.8</b>	<b>395</b>

**Future Annexation Area (Not in District) – Owned by MILLC**

<b>Village (Parcel)</b>	<b>Land Use</b>	<b>Acres</b>	<b>Planned Units</b>
JM-1	LDR	17.00	84
JM-2B	LDR	14.40	95
JM-3B	LDR	10.63	44
JM-20B	MDR	27.19	231
JM-21	MDR	18.28	171
JM-30	HDR	7.51	159
JM-40	CMU	5.65	40
JM-41	CC	13.48	--
FD-6	LDR	14.37	69
FD-7	LDR	8.80	42
FD-8A	LDR	16.21	78
FD-8B	LDR	18.82	86
FD-10	LDR	20.26	93
FD-21	MDR	24.39	204
FD-23	MDR	17.40	143
FD-24	MDR	10.71	96
FD-32	HDR	8.90	178
FD-33 (1/2 owner)	HDR	4.30	86
FD-41	CMU	5.92	40
CO-1	LDR	17.38	86
CO-2A	LDR	14.04	71
CO-2B	LDR	14.65	73
CO-3	LDR	17.16	78
CO-20	MDR	11.61	84
CO-21	MDR	9.15	70
CO-22	MDR	6.01	43
CO-41	CC	0.16	--
Parks / OS / ROW / Other	Misc.	249.82	--
<b>Total</b>		<b>604.20</b>	<b>2,444</b>

Source: JMC Homes. Based on (a) Development Agreement (if applicable) or (b) the Sierra Vista Specific Plan.

## Development Agreements

**General.** MILLC entered into Development Agreements, dated June 18, 2010 (“**Development Agreements**”) with the City in accordance with applicable state and local codes. The Development Agreements vest development rights, set forth infrastructure improvements and dedication requirements, secure the timing and methods for financing improvements, and specify other performance obligations as related to development in the Sierra Vista Specific Plan area. All of the property in the District is subject to the requirements of the Development Agreements as well as the SVSP. The Development Agreements were entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through Article V, Chapter 19.84 of the City’s Zoning Ordinance No. 802.

Development Agreements are the primary implementation tools for the SVSP and are intended to create a binding contract between the City and MILLC and their assigned successors in interest, which set forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and MILLC, including obligations related to development of the property in the District, with the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the SVSP entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreements have a 30-year term, run with the property, and may be modified only by mutual consent of the City and landowner and in a manner consistent with the SVSP. With the Development Agreements in place, subject to compliance with the terms of the Development Agreements, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits.

Land use and development entitlements granted under the Development Agreements for property in the District are consistent with the SVSP as described under the caption “THE SIERRA VISTA SPECIFIC PLAN” and summarized above.

**Improvements.** The Development Agreements set forth the responsibility of MILLC and its successors (including JMC Homes) for a portion of the costs of certain public improvements required for its development within the SVSP, including an electric substation. The dedication of the electric substation site occurred on May 26, 2017, and the City anticipates the electric substation will be completed in August 2019. JMC Homes does not believe any of these improvements – including completion of the electric substation by the City – will impair its ability to timely obtain building permits.

Funding of the Improvements with the 2019 Bonds and Additional Bond proceeds will satisfy a portion, but not all, of the relevant obligations of the District for infrastructure improvements required by the Development Agreements. See Table 5 herein for a sources and uses table. The improvements not funded from the 2019 Bonds and Additional Bonds or Special Taxes are required to be funded by JMC Homes. See “THE IMPROVEMENTS” below.

**No Affordable Units.** There are no affordable unit requirements for the initial District boundary.

## Environmental Matters

**Flood Hazard Map Information.** According to the Federal Emergency Management Agency's flood insurance rate maps (Flood Area Panel Number 060243, with an effective date of November 2, 2018), the developable portions of the property in the project area (including land in the District) are located within Flood Zone X, described as areas of minimal flooding (outside of the 100 and 500-year floodplains).

**Wetland Conditions.** According to the City's planning department, some jurisdictional wetlands will be affected by the development of the project, however the impact has been mitigated by the landowner. No additional environmental permits are required to be obtained.

**Seismic Conditions.** The property expected to be developed as part of the project (including land in the District) is not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972.

## OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

*Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the property within the District. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bond Owner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.*

*JMC Homes has provided the information set forth in this section entitled "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." No assurance can be given that all information is complete. In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement.*

*No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner, as described herein. The Special Taxes are not personal obligations of JMC Homes or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.*

## Information Regarding JMC Homes

JMC Homes has been doing business in the greater Sacramento area as a homebuilder since 1978. It has averaged annual new homes sales volume in excess of \$110 million for the past five years and is currently ranked as the 100th largest homebuilder by *Professional Builder* magazine. It is currently building and selling homes in Roseville, Rocklin, Lincoln and Marysville in the Sacramento area. *JMC Homes' website address is <http://www.jmchomes.com>. The website address is given for reference and convenience only, the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

## Proposed Development by JMC Homes

**Overview.** As noted above, development within the initial District boundary is anticipated by JMC Homes to be consistent with the SVSP land uses, which primarily consist of low-density residential neighborhoods. Permitted land uses are configured to reinforce the neighborhood identity and sense of community. See “THE SIERRA VISTA SPECIFIC PLAN” above.

**Subdivision Maps.** The property in the initial District boundary consisted of five large-lot APNs, with three of the large-lot parcels having recorded small lot final maps. The current configuration of parcels in the District, together with final map status, is set forth in the following table. In addition to the Improvements completed, subdivision in-tract improvements commenced in September 2018 and are anticipated to be complete in July 2019 for JM-2A, JM-3A, and JM-20A. In-tract improvements for JM-4 commenced in May 2019 with completion expected in late 2019.

**Table 2**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Tentative Map and Final Map Status for Taxable Residential Parcels in**  
**the Initial District Boundary**

Large-Lot Parcel/Village	Land Use	Planned Units	Tentative Map Approval Date	Small Lot Final Map Record Date
JM-2A	LDR (Residential)	92	12/12/2013	12/27/2018
JM-3A	LDR (Residential)	83	12/12/2013	12/27/2018
JM-4 (2 APNs)	LDR (Residential)	132	12/12/2013	<i>Expected Sept./Oct. 2019</i>
JM-20A	MDR (Residential)	88	12/12/2013	12/27/2018
<b>Total</b>		<b>395</b>		

*Source: JMC Homes.*

**Backbone Infrastructure.** JMC Homes has substantially completed all basic (sometimes referred to as “backbone”) infrastructure required for development of the initial 395 homes in the District (including major roads and offsite improvements), and was accepted by the City on May 17, 2019.

Upon completion of various components of such infrastructure, JMC Homes is eligible to be reimbursed for the cost thereof from proceeds of the Bonds as provided in an acquisition agreement entered into with the City, provided such proceeds are available. The pace of home construction in the District will be determined by JMC Homes, largely by market conditions and demand for homes.

JMC Homes is responsible for the cost of construction of the infrastructure improvements and other costs required for the initial District boundary. Proceeds of the Bonds and any additional bonds will provide a portion of the cost of improvements and the remainder will be contributed by JMC Homes. See “THE IMPROVEMENTS – Estimated Cost of the Improvements”. Bonds for the District are expected to be issued on a parity with the Bonds in multiple series as development progresses and annexation of land into the District occurs.

**Utilities.** All typical urban utility services for finished lots are available at the lots or will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, refuse, and sanitary sewer and storm water facilities. The City provides electric, water, sewer refuse and storm water facilities, and police and fire services. Pacific Gas & Electric provides natural gas.

**Timing of Model Homes and Production Homes.** As of May 1, 2019 (the date of value of the Appraisal), JMC Homes had 12 model homes under construction in the initial District boundary, and as of early June, 8 of the model homes were completed. The model homes are located in JM-2A, JM-3A, and JM-20A. JM-2A and JM-3A opened for sales in early June with 8 completed models and the initial for-sale homes are under construction. As of mid-June 2019, 5 homes are under contract for sale with an additional 10 reservations. The first sales to homeowners are expected to close in December 2019. JMC Homes estimates that the last of the 395 homes planned for the initial District boundary will be completed and sold to individual homeowners by January 2024.

**Planned Home Sale Plans and Sizes.** The following table sets forth JMC Homes' current expectations with respect to floorplans and sizes of homes of the initial 395 homes planned for the District. Base sales prices currently range from \$419,990 to \$649,990. Base sales prices are subject to change and exclude options, upgrades, lot premiums and any incentives or price reductions being offered. There can be no assurance that sales prices of the remaining homes in the future annexation areas will equal or exceed the sales prices for the homes in the initial District boundary.

**Table 3**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Planned Home Sale Plans and Sizes – Initial District Boundary**

Village	No. of Models	No. of Lots	Project Floorplans	Floorplan Size Range (sf)	
				Low	High
JM-2A	4 (complete)	92	4	1,645	2,508
JM-3A (Gated)	4 (complete)	83	5	2,201	3,004
JM-4	4 (planned)	132	TBD	TBD	TBD
JM-20A	4 (in process)	88	8	1,343	2,341

*Source: JMC Homes.*

## THE IMPROVEMENTS

### Eligible Facilities

The Bonds will provide a funding source to JMC Homes for moneys expended for a portion of the cost of the Improvements and for certain JMC Homes fees paid or to be paid by JMC Homes. The eligible Improvements authorized to be funded with proceeds of the Bonds include, but are not limited to, the following:

**Transportation Improvements.** Public roadway improvements designed to meet the needs of the project, including those improvements identified in the Development Agreement, including but not limited to:

- Federico Drive.
- Fiddymont Road.
- Market Street.
- Santucci Boulevard.
- Summerfaire Drive.
- Silver Spruce Drive.
- Sierra Glen Drive.
- Vista Park Drive.
- Vista Grande Boulevard.
- Westbrook Boulevard.

Eligible roadway improvements include the following items: acquisition of land and easements; roadway design; project management; geotechnical engineering, testing and observations, bridge crossings and culverts; clearing, grubbing, and demolition; grading, soil import/export, paving (including slurry seal), and decorative/enhanced pavement concrete or pavers; power pole relocations; joint trenches, underground utilities, and undergrounding of existing utilities; dry utilities and appurtenances; curbs, gutters, sidewalks, bike trails (including on- and off-site), park and ride facilities, bus rapid transit improvements, including transfer stations and regional public transit improvements; retaining walls, sound walls, enhanced fencing, and access ramps; street lights, signalization, and traffic signal control systems; bus turnouts; signs and striping; erosion control; median and parkway landscaping and irrigation; entry monumentation; bus shelters; masonry walls; traffic control and agency fees; and other improvements related thereto. Eligible improvements for the roads listed above also include any and all necessary underground potable and non-potable water, sanitary sewer, and storm drainage system improvements.

**Potable and Non-Potable Water System Improvements.** Authorized facilities include any and all on- and off-site backbone water facilities designed to meet the needs of development of the project. These facilities include potable and non-potable mains, valves, services, and appurtenances; wells; and water treatment and storage facilities, and related improvements, including but not limited to: site clearing, grading, and paving; curbs and gutters; recycled water storage tanks, booster pump stations, and all appurtenances thereto; wells; water treatment; stand-by generator; site lighting, drainage, sanitary sewer, and water service; landscaping and irrigation; access gates and fencing; striping and signage; among others.

**Drainage System Improvements.** Authorized facilities include any and all on- and off-site backbone drainage and storm drainage improvements designed to meet the needs of development of the project. These facilities include mains, pipelines and appurtenances, outfalls and water quality measures, temporary drainage facilities, detention/retention basins, and drainage pretreatment

facilities; drainage ways/channels, pump stations, landscaping, and irrigation; access roads, gates, and fencing; striping and signage, among others.

**Wastewater System Improvements.** Authorized facilities include any and all on- and off-site backbone wastewater facilities designed to meet the needs of development of the project. These facilities include pipelines and all appurtenances thereto; manholes; tie-in to existing main line; force mains; lift stations; odor-control facilities; sewer treatment plant improvements and permitting related thereto; and related sewer system improvements, among others.

**Solid Waste Improvements.** Authorized facilities include any and all backbone solid waste improvements designed to meet the needs of development of the project. Eligible improvements also include the project's pro-rata contribution, as described in the project DA, to the SVSP Solid Waste Recycling Center.

**Park, Landscape Corridor and Paseo Improvements.** Authorized facilities include any and all improvements to parks, landscape corridors and paseos located in the project, including but not limited to construction of Park Sites as identified by the Specific Plan, and construction of Paseos as identified by the SVSP.

**Open Space Improvements.** Authorized facilities include any and all open space improvements designed to meet the needs of development of the project, including bike trails, bike/pedestrian bridges, storm drain crossings, storm drain detention/retention, wetland mitigation, tree mitigation, on- and off-site hawk/raptor mitigation, agricultural mitigation or wetland mitigation, property acquisition, endowment payments for open space management, landscaping and irrigation, access gates and fencing, and related open space improvements, among others.

**Utilities.** Authorized facilities include any and all on- and off-site utility improvements designed to meet the needs of development of the project. All utility improvements, easement payments, and land acquisition not located under or alongside transportation improvements are considered authorized facilities. Authorized facilities also shall include costs related to the acquisition of the off-site electric substation site; site clearing; grading; street frontage improvements, including curbs, gutters, and paving; and construction of an all-weather access road to the site from the nearest public street or extension of temporary 12kV overhead lines as described in the project DA, among others.

**Other Public Facilities and Impact Fees.** Authorized facilities includes any and all public facilities or infrastructure, including the project's pro-rata contribution to the land acquisition of the off-site fire station site, site clearing, grading, and street frontage improvements including curbs, gutters, and paving, including fire station site reimbursement obligations in the Development Agreement. Authorized facilities also include development impact fees paid and not otherwise reimbursed, whether standard City or County fees levied at the time of the issuance of a building permit or required as part of the DA for the property. Fees include, but are not limited to, the South Placer Regional Transportation Authority Tier II Traffic Fee, City of Roseville City Wide Park Fee, City of Roseville Public Facilities Fee, and Public Benefit Fee.

## Estimated Cost of the Improvements

**General.** The total estimated cost of the Improvements for the initial District boundary of the project (395 units) is approximately \$59.3 million, as shown in the table on the following page. The Bonds are expected to provide approximately \$12.4 million of that cost. Additional infrastructure will be required for areas of future annexation and Additional Bonds are expected to be sold in the future.

**Table 4**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Summary of Partial Authorized Facilities and Estimated Cost in Initial District Boundary**

<u>Item</u>	<u>Estimated Total Cost <sup>(1)</sup></u>
Transportation Improvements	\$9,257,576
Potable and Non-Potable Water System Improvements	2,274,538
Drainage System Improvements	3,685,036
Wastewater System Improvements	3,671,763
Parks, Landscape Corridor and Paseo Improvements	3,638,713
Open Space Improvements	5,802,951
Utilities	2,932,062
Other Public Facilities and Impact Fees	28,024,677
<b>Total</b>	<b>\$59,287,316</b>

(1) Includes soft cost and contingency  
Source: JMC Homes.

**Funding Sources.** In connection with the issuance of the Bonds, the City and JMC Homes have entered into a Funding, Construction and Acquisition Agreement (the “**Acquisition Agreement**”) which provides that JMC Homes will construct (or cause to be constructed or funded) the Improvements and related facilities, and the City, upon completion of construction and acceptance by the City, or through progress payments prior to completion of the entire improvement, will purchase the Improvements or reimburse JMC Homes for expended amounts using a portion of the proceeds of the Bonds pursuant to the terms of the Acquisition Agreement. JMC Homes will be responsible for the portion of the cost of construction of the Improvements not paid with Bond proceeds. There are currently no construction loans or deeds of trust encumbering the property in the initial boundary of the District.

The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the “pay-as-you-go” component of Special Taxes. The pay-as-you-go funding component is expected to provide for funding of the cost of a portion of the Improvements in excess of the amount provided from bond proceeds (if such proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service. The City and JMC Homes contemplate utilizing this funding mechanism during the time the Bonds are outstanding. Additionally, after the final maturity date of the Bonds and any additional bonds issued to reimburse JMC Homes for costs of the Improvements, the City expects to continue to levy Special Taxes for payment of the “Development Impact Fee Deferral” (as defined in the Special Tax Formula) which levy may secure future bonds issued after payment in full of the Bonds and any additional bonds issued under the Fiscal Agent Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology” and “– Special Tax Fund.”

The following table shows estimated sources and uses for JMC Homes related to the development and sale of the initial 395 homes in the District.

**Table 5**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Proposed Financing Plan – Phase 1 (395 Lots)**  
**Calendar Years 2019 through 2023**

	Total	As of May 1, 2019	Remainder of 2019	2020	2021	2023	2023
<b>Sources:</b>							
Equity	\$45,020,000	\$42,980,000	\$ 2,040,000	--	--	--	--
Bond Proceeds <sup>(1)</sup>	11,800,000	--	11,800,000	--	--	--	--
Sales of Homes	206,590,000	--	7,400,000	\$67,660,000	\$74,540,000	\$36,350,000	\$20,640,000
<b>Total Sources</b>	<b>\$263,410,000</b>	<b>\$42,980,000</b>	<b>\$21,240,000</b>	<b>\$67,660,000</b>	<b>\$74,540,000</b>	<b>\$36,350,000</b>	<b>\$20,640,000</b>
<b>Uses:</b>							
Authorized Facilities <sup>(2)</sup>	\$31,260,000	\$29,220,000	\$2,040,000	--	--	--	--
In-tract Infrastructure	22,550,000	13,080,000	9,470,000	--	--	--	--
Costs of Sales of Homes	129,280,000	680,000	4,380,000	\$41,120,000	\$45,840,000	\$23,110,000	\$14,150,000
<b>Total Uses</b>	<b>\$183,090,000</b>	<b>\$42,980,000</b>	<b>\$15,890,000</b>	<b>\$41,120,000</b>	<b>\$45,840,000</b>	<b>\$23,110,000</b>	<b>\$14,150,000</b>
<b>Net Cash Flow</b>	<b>\$80,320,000</b>	<b>--</b>	<b>\$5,350,000</b>	<b>\$26,540,000</b>	<b>\$28,700,000</b>	<b>\$13,240,000</b>	<b>\$6,490,000</b>

(1) Estimated as of May 1, 2019; actual amount may differ.

(2) Excludes "Other Public Facilities and Impact Fees" included in Cost of Sales of Homes.

Source: JMC Homes.

## VALUE OF PROPERTY WITHIN THE DISTRICT

### The Appraisal

**General.** Integra Realty Resources, Sacramento, California (the “Appraiser”) prepared an appraisal report dated June 14, 2019, with a date of value of May 1, 2019 (the “Appraisal”). The Appraisal was prepared at the request of the City. The Appraisal is set forth in APPENDIX B hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

**Property Appraised.** The appraised properties consist of all of the taxable property in the initial boundary of the District, which is owned by JMC Homes and planned for development into 395 single-family residential units.

**Value Estimates.** The Appraisal provides a market value, in bulk, of the appraised property as of the date of value (based on the hypothetical condition the improvements to be financed by the 2019 Bonds were in place as of the date of valuation). The valuation accounts for the impact of the lien of the Special Tax and represents the hypothetical market value (based on the hypothetical condition) of all the land in the District. The property appraised excludes property in the District designated for public and quasi-public purposes.

The aggregate value estimate for the appraised properties as of the May 1, 2019 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of that date, is \$48,015,000.

The bulk sale value represents the most probable price, in a sale of parcels within the District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value.

**Hypothetical Condition.** *The value estimate is subject to a hypothetical condition, defined as that which is contrary to what exists but is supposed for the purposes of analysis. For purposes of the hypothetical condition, the Appraiser assumed that certain proceeds of the 2019 Bonds are available to reimburse for infrastructure improvements completed.*

**Assumptions and Limiting Conditions.** In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, some of which include the following. See “APPENDIX B – THE APPRAISAL.”

- The value estimates assume the completion of the public facilities to be financed by the 2019 Bonds, but not any Additional Bonds that may be issued in the future. See “THE IMPROVEMENTS.”
- The Appraisal relies on infrastructure and development cost estimates from JMC Homes, as well as presumed Special Taxes and 2019 Bond proceeds expected to be available. Accordingly, the value estimate is connected to such estimates of infrastructure and development costs, Special Taxes and 2019 Bond proceeds; any changes to these variables may necessarily affect the estimated value. It is therefore an extraordinary assumption that the infrastructure and development costs are as represented in the Appraisal. The estimates of market value account for the impact of the Lien of the Special Taxes securing the Bonds.

- The Appraiser has assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See “APPENDIX B – THE APPRAISAL” hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

**Exposure Time.** Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the Appraisal. Based on the Appraiser’s review of recent sales transactions for similar properties and its analysis of supply and demand in the local land market, the Appraiser’s opinion was that the probable exposure time for the appraised property at the concluded market value stated previously is 12 months.

**Marketing Time.** Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As the Appraiser foresees no significant changes in market conditions in the near term, the Appraiser’s opinion was that a reasonable marketing period for the appraised property in bulk is likely to be the same as the exposure time. Accordingly, the Appraiser estimated the marketing period at 12 months.

*No assurance can be given that a sale of the property in bulk by JMC Homes could be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a particular period. See “SPECIAL RISK FACTORS – Property Values and Property Development.”*

**Limitations of Appraisal Valuation.** Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the 2019 Bonds are outstanding in that the City has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See “–Overlapping Liens and Priority of Lien” below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see “SPECIAL RISK FACTORS” herein.

### **Value to Special Tax Burden Ratios**

In comparing the value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of

the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. Property owners can also voluntarily add Property Assessed Clean Energy (PACE) assessment liens on their property to finance energy efficiency improvements. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by JMC Homes or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

**Appraised Value to Lien Ratios by Development Status.** The following table sets forth appraised value, maximum special tax, allocable District debt, and average value to lien ratios by status of development, based on the status of development in the District as of May 1, 2019 (the Appraiser's date of value), and on assumptions detailed therein.

**Table 6  
City of Roseville  
Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)  
Value to Lien Ratios – By Development Status**

<b>Development Status <sup>(1)</sup> / Phase Number <sup>(2)</sup></b>	<b>Planned Residential Units <sup>(2)</sup></b>	<b>Land Use<sup>(2)</sup></b>	<b>Appraised Value <sup>(3)(4)</sup></b>	<b>FY 2019-20 Maximum Facilities Tax</b>	<b>Projected FY 2019-20 Special Tax Levy <sup>(5)</sup></b>	<b>Allocable Debt CFD Bonds <sup>(6)</sup></b>	<b>% Total CFD Bonded Debt <sup>(6)</sup></b>	<b>Overlapping Debt <sup>(7)</sup></b>	<b>Total Direct &amp; Overlapping Debt</b>	<b>Average Value to Lien Ratios <sup>(4) *</sup></b>
<b>Homes Partially Completed (Phase 1) <sup>(1)(8)</sup></b>										
JM-2A	4	LDR	\$508,000	\$7,344	\$7,344	\$130,210	1.04%	\$1,234	\$131,444	3.86
JM-3A	4	LDR	644,000	7,344	7,344	130,210	1.04%	1,042	131,252	4.91
JM-20A	4	MDR	408,000	6,528	6,528	115,744	0.92%	1,113	116,857	3.49
Subtotal	12		\$1,560,000	\$21,216	\$21,216	\$376,164	3.00%	\$3,389	\$379,553	4.11
<b>Final Map Lots (Phase 1) <sup>(1)</sup></b>										
JM-2A	88	LDR	\$11,176,000	\$161,568	\$161,568	\$2,864,632	22.84%	\$27,151	\$2,891,783	3.86
JM-3A	79	LDR	12,719,000	145,044	145,044	2,571,658	20.51%	20,583	2,592,241	4.91
JM-20A	84	MDR	8,568,000	137,088	137,088	2,430,597	19.38%	23,376	2,453,973	3.49
Subtotal	251		\$32,463,000	\$443,700	\$443,700	\$7,866,887	62.73%	\$71,110	\$7,937,997	4.09
<b>Tentative Map Lots</b>										
JM-4 (Phase 1) <sup>(9)</sup>	92	LDR	\$9,752,000	\$168,912	\$155,419	\$2,994,843	23.88%	\$20,637	\$3,015,480	3.23
JM-4 (Phase 2) <sup>(9)</sup>	40	LDR	4,240,000	73,440	67,573	1,302,106	10.39%	8,498	1,310,604	3.24
Subtotal	132		\$13,992,000	\$242,352	\$222,992	\$4,296,949	34.27%	\$29,135	\$4,326,084	3.23
<b>Total</b>	<b>395</b>		<b>\$48,015,000</b>	<b>\$707,268</b>	<b>\$687,908</b>	<b>\$12,540,000</b>	<b>100.00%</b>	<b>\$103,634</b>	<b>\$12,643,634</b>	<b>3.80</b>

(1) Development Status as of May 1, 2019 per JMC Homes.

(2) Phase number, land use and number of residential lots of each Village Parcel per the Special Tax Formula.

(3) Bulk Appraised Values as of May 1, 2019.

(4) Average per lot values were used to determine the table's average value to lien ratios by development status of lots within each of the District's Villages. Each average value per lot was calculated by dividing the bulk appraised value of each Village Parcel by the number of lots of each. The values of the partially completed homes shown will be understated by some degree while the values of the final lots shown will be overstated; therefore, the value of each Village Parcel should be considered in aggregate.

(5) The Projected Fiscal Year 2019-20 Special Tax Levy assumes a Maximum Facilities Special Tax Levy to all Final Map Parcels while each parcel of Tentative Map Property is projected to be taxed at approximately 92% of its Maximum Facilities Tax. The Fiscal Year 2019-20 Special Tax Levy shall include the debt service on the Bonds during the 2020 Bond Year and district administration costs. Debt service on the 2019 Series Bonds due September 1, 2019 would be funded through capitalized interest.

(6) This table allocates the CFD Debt using each lot's Maximum Facilities Special Tax.

(7) The overlapping debt liens of the District parcels as of May 1, 2019 as summarized under "Direct and Overlapping Tax and Assessment Debt" table in the overlapping debt report prepared by California Municipal Statistics, Inc.

(8) A partially completed home represents a single family lot upon which a building permit has been issued together with substantial construction towards the completion of the structure's footings or more.

(9) The \$13,992,000 bulk appraised value of the 132 Tentative Map Lots within Village Parcel JM-4 has been allocated to Phase 1 and Phase 2 of JM-4 based upon the total residential lots of each phase.

Sources: Development Status by lot - JMC Homes; Bulk Appraised Values by Village Parcel - Integra Realty Resources, Inc.; Overlapping Debt - California Municipal Statistics, Inc, as compiled by Willdan Financial Services and Maximum Special Tax/Projected Special Tax Levy - Willdan Financial Services.

**Appraised Value to Lien Ratio Categories.** The appraised value of all taxable property within the District is \$48,015,000. The principal amount of direct and overlapping bonded debt in the District (including the 2019 Bonds) is \$12,643,634. Consequently, the estimated value of the taxable property within the District is approximately 3.80 times the principal amount of the direct and overlapping bonded debt. The following table sets forth the appraised value, maximum special tax, projected special tax levy tax and allocable District debt by value to lien ratio range categories.

**Table 7  
City of Roseville  
Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)  
Average Value to Lien Ratio Categories**

<b>Value-to-Lien Ratio Range</b>	<b>No. of Parcels</b>	<b>Planned Residential Units <sup>(1)</sup></b>	<b>Appraised Value <sup>(2)</sup></b>	<b>FY 2019-20 Maximum Facilities Tax</b>	<b>Allocable Debt CFD Bonds <sup>(3)</sup></b>	<b>% Total CFD Bonded Debt <sup>(4)</sup></b>	<b>Overlapping Debt <sup>(5)</sup></b>	<b>Total Direct &amp; Overlapping Debt</b>	<b>Average Value to Lien Ratios</b>
4:1 to 4.99:1 <sup>(6)</sup>	1	83	\$13,363,000	\$152,388	\$2,701,869	21.55%	\$21,625	\$2,723,494	4.91
3:1 to 3.99:1 <sup>(7)</sup>	4	312	34,652,000	554,880	9,838,131	78.45%	82,009	9,920,140	3.49
<b>Total</b>	<b>5</b>	<b>395</b>	<b>\$48,015,000</b>	<b>\$707,268</b>	<b>\$12,540,000</b>	<b>100.00%</b>	<b>\$103,634</b>	<b>\$12,643,634</b>	<b>3.80</b>

(1) Planned number of residential lots per the Special Tax Formula.

(2) Appraised Values as of May 1, 2019.

(3) Represents the \$12,540,000 par amount of the Series 2019 Special Tax Bonds.

(4) The CFD Bonded Debt has been allocated based upon each parcel's Maximum Facilities Special Tax.

(5) The overlapping debt liens of the District parcels as of May 1, 2019 as summarized under "Direct and Overlapping Tax and Assessment Debt" table in the overlapping debt report prepared by California Municipal Statistics, Inc.

(6) Consists of the 4 partially completed homes and 79 final lots of Village JM-3A.

(7) Consists of the 8 partially completed homes and 172 final lots of Villages JM-2A and JM-20A together with the 132 approved tentative lots of JM-4.

Sources: Appraised Value - Integra Realty Resources, Inc.; Overlapping Debt - California Municipal Statistics, Inc, as compiled by Willdan Financial Services and Maximum Special Tax - Willdan Financial Services.

## **No History of Special Tax Collections**

Fiscal Year 2019-20 will be the first year in which the Special Tax is levied in the District.

## **Overlapping Liens and Priority of Lien**

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

Set forth below is an overlapping debt table showing the existing direct and overlapping bonded debt payable with respect to property within the District. This table has been prepared by California Municipal Statistics Inc. as of the date indicated, and is included for general information purposes only. The City has not reviewed the data for completeness or accuracy and makes no representations in connection therewith. In addition to bonded debt, property in the District is also subject to Fiscal Year 2019-20 special taxes authorized to be levied on behalf of the City's Sierra Vista Community Facilities District No. 2 (Public Services) and Community Facilities District No. 3 (Municipal Services) for municipal services, which districts provide for escalating annual special taxes on residential property. The Fiscal Year 2019-20 annual amount is \$339.07 per lot (low density and medium density) for CFD No. 2 and the Fiscal Year 2018-19 amounts are \$256.78 per lot (low density)/\$439.10 per lot (medium density) for CFD No. 3; the CFD No. 3 tax rates are subject to annual escalation up to 4% depending on the City's public safety budget each year.

**Table 8**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Summary of Overlapping Debt**  
**As of May 1, 2019**

2018-19 Local Secured Assessed Valuation: \$6,292,283

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt</u>	
Center Joint Unified School District General Obligation Bonds	0.287%	\$103,634	
<b>City of Roseville Villages at Sierra Vista CFD No. 1</b>	<b>100.00%</b>	<b>--</b>	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$103,634</u>	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Placer County Certificates of Participation	0.008%	\$ 2,114	
Placer County Office of Education Certificates of Participation	0.008	75	
Sierra Joint Community College District Certificates of Participation	0.006	234	
Central Joint Unified School District Certificates of Participation	0.287	1,239	
City of Roseville Certificates of Participation	0.028	6,299	
Placer County Mosquito and Vector Control District Certificates of Participation	0.008	<u>2,115</u>	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$12,076	
Less: City of Roseville supported obligations		<u>677</u>	
TOTAL OVERLAPPING GENERAL FUND DEBT		<u>\$11,399</u>	
GROSS COMBINED TOTAL DEBT		\$115,710	(2)
NET COMBINED TOTAL DEBT		\$115,033	

Ratios to 2018-19 Assessed Valuation:

<b>Direct Debt (\$0)</b> .....	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	1.65%
Combined Total Debt .....	1.84%
Net Combined Total Debt.....	1.83%

(1) Excludes the 2019 Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

There can be no assurance that JMC Homes, its affiliates or any subsequent owner will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities; however, no other special districts are currently contemplated by the City or JMC Homes.

Private liens, such as deeds of trust securing loans obtained by JMC Homes, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

## Estimated Tax Burden on Single-Family Home

Based on current and estimated sales prices for the smallest floorplan for MDR and LDR homes provided by JMC Homes, the Special Tax Administrator has projected that the overall tax burden for the smallest floorplan homes planned for the District will be approximately 1.81% and 1.85%, respectively, as shown in the following table. The projected overall tax burden for larger floorplan homes is expected to be smaller, as a percentage of the projected assessed value of the homes.

**Table 9**  
**City of Roseville**  
**Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities)**  
**Projected Overall Tax Burden for Single-Family Residential Parcels**  
**Fiscal Year 2019-20**

<b>Net Taxable Value</b>	<b>Land Use Designation</b>		
	<b>MDR Home</b>	<b>LDR Home</b>	
Projected Assessed Value - Representative Homes <sup>(1)</sup>	\$379,990	\$419,990	
Less: Homeowner's Exemption	(\$7,000)	(\$7,000)	
<b>Net Taxable Value</b>	<b>\$372,990</b>	<b>\$412,990</b>	
<b>Ad Valorem Property Taxes <sup>(2)</sup></b>	<b>Rate <sup>(2)</sup></b>	<b>Taxes</b>	<b>Taxes</b>
Base Property Tax	1.000000%	\$3,730	\$4,130
Center Joint Unified School District	0.241200%	900	996
<b>Total Ad Valorem Property Taxes</b>	<b>1.241200%</b>	<b>\$4,630</b>	<b>\$5,125</b>
<b>Parcel Charges, Special Taxes and Assessments <sup>(3)</sup></b>	<b>Charges</b>	<b>Charges</b>	
Placer Mosquito & Vector <sup>(4)</sup>	\$29	\$29	
City of Roseville, Villages of Sierra Vista CFD No. 1 (Public Facilities) <sup>(5)</sup>	1,632	1,836	
City of Roseville, Sierra Vista CFD No. 2 (Public Services) <sup>(6)</sup>	339	339	
City of Roseville CFD No. 3 (Municipal Services) <sup>(7)</sup>	267	457	
<b>Total Parcel Charges, Assessments, and Special Taxes</b>	<b>\$2,267</b>	<b>\$2,661</b>	
<b>Total Projected Taxes and Direct Charges</b>		<b>\$6,897</b>	<b>\$7,787</b>
<b>Total Effective Projected Tax Rate</b>		<b>1.81%</b>	<b>1.85%</b>

(1) Values shown for each representative home is the lowest estimated home price of the smallest MDR homes and the lowest current sales price of the smallest LDR homes planned for construction within the District.

(2) Fiscal Year 2018-19 Ad Valorem Property Taxes Rates for TRA 005-070 per Placer County Resolution 2018-146.

(3) Assumes no optional PACE related special taxes or assessments.

(4) The Fiscal Year 2018-19 rate per home.

(5) Equal to the applicable Maximum Public Facilities Special Tax for FY 2019-20.

(6) Equal to the applicable Maximum Public Services Special Tax for FY 2019-20.

(7) Projected applicable Maximum Municipal Services Special Tax for FY 2019-20.

Sources: FY 2018-19 Ad Valorem Tax Rates of TRA 005-070 and Placer Mosquito & Vector charges - Placer County Tax Collector; Current and projected home prices for selection of Representative Homes - JMC Homes; Maximum Special Tax Rates, Roseville CFD Nos 1, 2 and 3 - Willdan Financial Services.

## **SPECIAL RISK FACTORS**

*The purchase of the 2019 Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision.*

### **Limited Obligation of the City to Pay Debt Service**

The City has no obligation to pay principal of and interest on the 2019 Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the 2019 Bonds. The 2019 Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the 2019 Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

### **Concentration of Ownership**

Land in the District is 100% owned by a single entity, JMC Homes. Owners of property are not personally obligated to pay the Special Tax attributable to their property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the 2019 Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of JMC Homes or any future owner of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the District's obligations on the 2019 Bonds. For a description of JMC Homes, see "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." In that event, there could be a delay or failure in payments on the 2019 Bonds. See "- Bankruptcy and Foreclosure Delays" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

### **Appraised Values**

The Appraisal summarized in APPENDIX B estimates the market value of the taxable property within the District. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or

to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, in addition to hypothetical conditions, as set forth in the Appraisal (see APPENDIX B hereto). The improvements to be financed by the 2019 Bonds were not in place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of such improvements being in place)

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in the District could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

### **Property Values and Property Development**

The value of Taxable Parcels within the District is a critical factor in determining the investment quality of the 2019 Bonds. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be adversely affected by economic and other factors beyond the City's control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

The Appraisal information included as APPENDIX B sets forth certain assumptions of the Appraiser in estimating the market value of the property within the District as of the date indicated. No assurance can be given that the land values are accurate if these assumptions are incorrect or that the values will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur. See "Appraised Values" above.

*Neither the District, the Underwriter, nor the City has evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District is issuing the 2019 Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the 2019 Bonds in no way implies that the District, the Underwriter, or the City has evaluated these risks or the reasonableness of these risks.*

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

**Land Development.** Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the 2019 Bonds should it be necessary for the District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the 2019 Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "VALUE OF PROPERTY WITHIN THE DISTRICT – Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the 2019 Bonds, prospective purchasers should evaluate the risks of noncompletion.

*JMC Homes provides no assurances to the City that the project will be developed or that sources of financing that will actually be available will be sufficient to complete the currently projected development. JMC Homes has no obligation to the City or to owners of the 2019 Bonds to complete the project.*

**Risks of Real Estate Investment Generally.** Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

**Natural Disasters.** The value of the parcels in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity, however, the District is not located in a seismic special studies zone.

Other natural disasters could include, without limitation, landslides, floods, droughts, wildfires or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. Although the District is not in a high-risk area for landslides, floods, wildfires or tornadoes, natural disasters such as these are unpredictable and may occur anywhere throughout the State, with devastating consequences. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

**Drought.** California has been subject to droughts from time-to-time in the past. Although the City does not believe any future drought would impact development in the District, no assurances can be given in this regard.

The City employs a portfolio approach to its water supplies which includes the use of surface water, groundwater and recycled water. This portfolio approach is designed to provide a more reliable water supply. Surface water is the City's primary water supply which is delivered from the Folsom Reservoir under contracts with the Bureau of Reclamation and the Placer County Water Agency. The City also uses groundwater to supplement its surface water supplies during emergency and drought conditions. These ground water wells are designated to accommodate Aquifer Storage and Recovery (ASR). The City's ASR program allows for the storage of treated surface water in the groundwater basin through direct injection through the ASR wells. This water can be extracted later from the same wells for use during emergency or drought conditions. This water "banking" allows the City to use groundwater without significant impact to the ground water table when surface water supplies are limited. The City also uses recycled water generated from its wastewater treatment facilities for irrigation purposes in commercial landscaping, public rights-of way, parks and golf courses. The use of recycled water reduces the demand for treated water for these purposes and leaving more for domestic use. However, no assurance can be given that a future drought affecting homes in the District would not result in decreased values.

JMC Homes and the City indicate that the existing Development Agreement protects JMC Homes's ability to access water for the project through an agreed upon water allocation. Further, the City indicates it has adequate surface water and groundwater supplies to meet the allocation for all three phases of development in accordance with applicable law and regulations. However, in the event that the City's water supply is severely limited or cut off by virtue of future actions beyond its control resulting from ongoing or future drought conditions, development within the District may be delayed or even stopped. The Development Agreement provides that should the City need to restrict development it must do so City-wide and cannot single out the Villages at Sierra Vista property in restricting development activity. In turn, the anticipated diversity of land ownership within the District could also be reduced, making the owners of the 2019 Bonds more dependent upon JMC Homes's or other owners of undeveloped land timely payment of the Special Taxes levied on undeveloped property. Furthermore, such an increased period of concentrated ownership of undeveloped land increases the potential negative impact of any bankruptcy or other financial difficulties experienced by JMC Homes or successor owners. Any reduction or interruption in the water supply would also likely cause a reduction in the land value and thus a reduction in the security in the event of a need to foreclose on land within the District following a delinquency in the payment of Special Taxes.

**Legal Requirements.** Other events that may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

**Hazardous Substances.** Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal laws. Under many of

these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a foreclosure sale.

***Endangered and Threatened Species.*** It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although JMC Homes believes that no federally listed endangered or threatened species would be affected by the proposed development within the District, other than any that are permitted by the entitlements already received (which allow for the impact of development and specify the mitigation required), the discovery of an endangered plant or animal could delay development of vacant property in the District or reduce the value of undeveloped property.

## **Levy and Collection of Special Taxes**

***General.*** The principal source of payment of principal of and interest on the 2019 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District.

***Limitation on Maximum Special Tax Rate.*** The annual levy of the Special Tax is subject to the Maximum Annual Facilities Special Tax rate authorized in the Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2019 Bonds.

In addition to the Maximum Annual Facilities Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2019 Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax Formula is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the 2019 Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

**Transfers to Governmental Entities.** The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

**Property Tax Delinquencies.** Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See “– Tax Delinquencies” below. There is currently no history of tax levies in the District.

**Delays Following Special Tax Delinquencies and Foreclosure Sales.** The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to owners of the 2019 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Fund is depleted. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure.”

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”) has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan that is secured by property within the District. See “ – FDIC/Federal Government Interests in Properties” below.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to

redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

### **FDIC/Federal Government Interests in Properties**

**General.** The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

### **Bankruptcy and Foreclosure Delays**

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2019 Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court

foreclosure proceedings and could result in the possibility of delinquent Special Tax installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2019 Bonds. To the extent that property in the District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the 2019 Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2019 Bonds on a timely basis.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Reserve Fund for transfer to the Bond Fund to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2019 Bonds on a timely basis.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on that property. The court upheld the priority of unpaid *ad valorem* taxes imposed before the bankruptcy petition (the “pre-petition taxes”), but unpaid taxes imposed after the filing of the bankruptcy petition (“post-petition taxes”) were declared to be unsecured “administrative expenses” of the bankruptcy estate, and were therefore held to be payable from the bankruptcy estate only after payment of all secured creditors. As a result, the secured creditor of the property was able to foreclose on the property and retain all of the proceeds of the sale except for the amount of the pre-petition taxes.

According to the court’s ruling, as administrative expenses, post-petition taxes would have to be paid, but only if the debtor had sufficient assets not subject to other perfected security interests to do so. In certain circumstances, payment of such administrative expenses may also be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time again become subject to and would secure liens for then current and future *ad valorem* taxes.

*Glasply* was controlling precedent on bankruptcy courts in the State of California for several years subsequent to the date of the Ninth Circuit’s holding. Pursuant to state law, the lien date for general *ad valorem* property taxes levied in the State of California is the January 1 preceding the fiscal year for which the taxes are levied. Under the *Glasply* holding, a bankruptcy petition filing would have prevented the lien for general *ad valorem* property taxes levied in fiscal years subsequent to the filing of a bankruptcy petition from attaching and becoming a lien so long as the property was a part of the estate in bankruptcy. However, the *Glasply* holding was for the most part subsequently rendered inoperative with respect to the imposition of a lien for and the collection of *ad valorem* taxes by amendments to the federal Bankruptcy Code (Title 11 U.S.C.) which were part of the Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) passed by Congress during the later part of 1994. The Bankruptcy Reform Act added a provision to the automatic stay section of the Bankruptcy Code which, pursuant to Section 362(b)(18) thereof, excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state, if such tax comes due after the filing of the petition” by a debtor in bankruptcy court. The effect of this provision is to continue the secured interest of *ad*

*valorem* taxes on real property (i.e., post-petition taxes) in effect during the period following the filing of a bankruptcy petition, including during the period bankruptcy proceedings are pending.

Without further clarification by the courts or Congress, the original rationale of the *Glasply* holding could, however, still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings. This treatment might result from the fact that, although the lien of special taxes is of record from the date of the filing of a Notice of Special Tax Lien, the actual special tax is levied annually. As noted above, special taxes have a different lien date than the lien date for general *ad valorem* taxes in the State of California noted above. The lien of a Mello-Roos special tax attaches upon recordation of the notice of the special tax lien, as provided for in Section 53328.3 of the Act, as opposed to the annual January 1 lien date for general *ad valorem* taxes. Thus, in deciding whether the original *Glasply* ruling is applicable to a bankruptcy proceeding involving special taxes rather than general *ad valorem* property taxes, a court might consider the differences in the statutory provisions for creation of the applicable tax lien (general *ad valorem* or special tax) in determining whether there is a basis for post petition special taxes to be entitled to a lien on the property during pending bankruptcy proceedings. If a court were to apply *Glasply* to eliminate the priority of the special tax lien as a secured claim against property with respect to post-petition levies of the Special Taxes made against property owners within the District who file for bankruptcy, collections of the Special Taxes from such property owners could be reduced as the result of being treated as “administrative expenses” of the bankruptcy estate. Also, and most importantly, is the fact that the original holding in *Glasply* and the mitigation of that holding by the Bankruptcy Reform Act of 1994 both appear to be applicable only to general *ad valorem* taxes, and, therefore, the exemption from the automatic stay in Section 362(b)(18) discussed above may not be applicable to special taxes since they were not expressly mentioned or provided for in this section, nor defined to be included within the term “*ad valorem* taxes.”

### **Parity Taxes and Special Assessments; Private Debt**

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

Property in the District is currently subject to certain overlapping tax and assessment liens, as shown in the overlapping debt statement. Property in the District is also subject to the special tax of two additional community facilities districts formed to fund services and known as the Sierra Vista Community Facilities District No. 2 (Public Services) and the City’s Community Facilities District No. 3 (Municipal Services). The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). See “VALUE OF PROPERTY WITHIN THE DISTRICT – Estimated Tax Burden on Single Family Home.”

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of taxable property and may be secured by a lien on a parity with the lien of the Special Tax securing the 2019 Bonds. The principal of and interest on the 2019 Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be

satisfied in foreclosure if unpaid. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of taxable property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy and Foreclosure Delays” above.

There can be no assurance that property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. Property owners may also elect to finance improvements to their homes through Property Assessed Clean Energy (PACE) financings, which are secured by assessment district liens. In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. However, the lien of such loans would be subordinate to the lien of the Special Taxes.

### **Tax Delinquencies**

Under provisions of the Act, the Special Taxes will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for nonpayment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax payments in the future.

The annual Special Tax will be billed and collected in two installments payable without penalty by December 10 and April 10. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the 2019 Bonds becoming due on the subsequent respective March 1 and September 1 may be insufficient, except to the extent moneys are available in the Reserve Fund.

In the event of non-payment of Special Taxes, funds in the 2019 Reserve Account of the Reserve Fund, if available, may be used to pay principal of and interest on the 2019 Bonds. If funds in the 2019 Reserve Account of the Reserve Fund for the 2019 Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the 2019 Bond holders pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the 2019 Reserve Account of the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of Special Taxes. See also “SECURITY AND SOURCES OF PAYMENT FOR THE

BONDS – Special Tax Methodology” for a discussion of a limitation imposed by the Act applicable to Special Tax increases on residential property.

### **No Acceleration Provisions**

The 2019 Bonds do not contain a provision allowing for the acceleration of the 2019 Bonds in the event of a payment default or other default under the terms of the 2019 Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a 2019 Bond holder is given the right for the equal benefit and protection of all 2019 Bond holders similarly situated to pursue certain remedies. So long as the 2019 Bonds are in book-entry form, DTC will be the sole 2019 Bond holder and will be entitled to exercise all rights and remedies of 2019 Bond holders.

### **Ballot Initiatives**

From time to time, initiative measures qualify for the State ballot pursuant to the State’s constitutional initiative process, and those measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the District. See “–Property Values and Property Development – Land Development” above. See also “–Voter Initiatives” below.

### **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the District. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2019 Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the issuance of special tax bonds of the District were each authorized by not less than a two-thirds vote of the landowners within the District who constituted the qualified

electors at the time of such voted authorization. The District believes, therefore, that issuance of the 2019 Bonds does not require the conduct of further proceedings under the Mello-Roos Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the District can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

### **Recent Case Law Related to the Mello-Roos Act**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under the City’s charter (the “Charter”) and was intended to function much like a community facilities district established under the Mello-Roos Act. The CCFD was comprised of all of the real property in the entire City. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City of San Diego were not permitted to vote. This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed community facilities district whose property would be subject to the special tax.

The *San Diego* Court held that the CCFD special tax election did not comply with the City’s Charter and with applicable provisions of the California Constitution -- specifically Article XIII A, section 4 (“Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district....”) and Article XIII C, section 2(d) (“No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.”) -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City of San Diego).

As to the District, there were no registered voters within the District at the time of the election to authorize the Special Taxes. Significantly, the *San Diego* Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on residential property pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the *San Diego* Court’s holding does not apply to the special tax election in the District.

Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Mello-Roos Act may be challenged by a third party:

53341. Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to [the Mello-Roos Act] shall be commenced within 30 days after the special tax is approved by the voters....

53359. An action to determine the validity of bonds issued pursuant to [the Mello-Roos Act] or the validity of any special taxes levied pursuant to [the Mello-Roos Act] ... shall ... be commenced within 30 days after the voters approve the issuance of the bonds or the special tax ...

Section 53326(b) of the Mello-Roos Act defines the authorized voters for an election in which the special taxes will be levied on residential property: “Except as otherwise provided in subdivision (c), if at least 12 persons, who need not necessarily be the same 12 persons, have been registered to vote within the territory of the proposed community facilities district for each of the 90 days preceding the close of the protest hearing, the vote shall be by the registered voters of the proposed district, with each voter having one vote. Otherwise, the vote shall be by the landowners of the proposed district and each person who is the owner of land at the close of the protest hearing, or the authorized representative thereof, shall have one vote for each acre or portion of an acre of land that he or she owns within the proposed community facilities district not exempt from the special tax....”

Landowner voters approved the Special Taxes and the issuance of bonds for the District in compliance with all applicable requirements of the Mello-Roos Act in 2018. Therefore, pursuant to Sections 53341 and 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired. Because the *San Diego* Court expressly stated that it did not consider the facts presented by the District and because the period for challenging the Special Taxes has passed, the City believes the Special Taxes are valid and cannot be challenged.

### **Recent Changes in Tax Law**

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “**Tax Act**”). The Tax Act makes significant changes to many aspects of the Code that could have an impact on future property development. The Tax Act reduces the amount of mortgage interest expense and state local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within the District and could adversely affect the sale of homes by JMC Homes. However, neither the City nor JMC Homes can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in the District, the rate at which homes in the District are sold to individual homeowners, or the ability or willingness of homeowners to pay special taxes or property taxes on Taxable Property within the District. The appraised values do not take into account any of the potential impacts of the Tax Act on home values or home sales in the District.

## CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIII A of the California Constitution, commonly known as “**Proposition 13**,” provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” which is defined as the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending “appropriations subject to limitation” in excess of the appropriations limits imposed. “Appropriations subject to limitation” are authorizations to spend “proceeds of taxes,” which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not “proceeds of taxes” such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

## CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the 2019 Bonds to provide certain financial information and operating data relating to the District by not later than nine months after the end of the City's fiscal year (presently June 30) in each year (the "**City Annual Report**") commencing with its report for the 2018-19 fiscal year (due April 1, 2020) and to provide notices of the occurrence of certain enumerated events.

JMC Homes has also covenanted for the benefit of owners of the 2019 Bonds to provide certain financial information and operating data relating to the property it or its affiliates owns in the District by not later than April 1st and October 1st of each year, beginning with the report due October 1, 2019 (the "**Developer Periodic Reports**") and to provide notices of the occurrence of certain enumerated events. The obligation of JMC Homes to provide such information is in effect only so long as JMC Homes and its affiliates, or their successors, are collectively responsible for 20% or more of the Special Taxes, as described in the Developer Periodic Reports and JMC Homes' undertaking includes a provision that if a portion of JMC Homes' property which is responsible for such 20% is sold, the reporting obligation may be assumed by the new owner and JMC Homes' obligations with respect to such property will be terminated, or if not so assumed, JMC Homes is to report such required information, as applicable to the transferee.

The City Annual Report and the Developer Periodic Reports and notices of listed events will be filed with the Municipal Securities Rulemaking Board. The covenants of the City have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City and JMC Homes is summarized in "APPENDIX E — FORM OF CONTINUING DISCLOSURE UNDERTAKINGS."

The City believes it currently is in material compliance with all of its continuing disclosure undertakings for the last five years. Notwithstanding the foregoing, in the last five years:

(1) The Annual Reports for Fiscal Year 2014-15 for certain of the City's then-outstanding obligations were not timely filed, including up to 510 days late.

(2) In the last five years, the City has not in a timely manner filed all significant event notices of changes in the ratings of certain then-outstanding obligations resulting from changes in ratings to the bond insurers who insured such obligations or the underlying rates for such obligations, including up to 1,983 days late. However, the City has submitted all undisclosed significant event notices of changes in ratings occurring during the last five years on all currently outstanding obligations.

JMC Homes has represented to the City that, during the past five years, JMC Homes has been in material compliance with its continuing disclosure undertakings.

## UNDERWRITING

The 2019 Bonds were purchased through negotiation by Piper Jaffray & Co., as underwriter (the "**Underwriter**"). The Underwriter agreed to purchase the 2019 Bonds at a price of \$13,908,518.45 (which is equal to the par amount of the 2019 Bonds, plus an original issue premium of \$1,494,294.65 and less the Underwriter's discount of \$125,776.20). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may

offer and sell the 2019 Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

### **MUNICIPAL ADVISOR**

The City has retained Hilltop Securities Inc., Encino, California, as registered municipal advisor (the “**Municipal Advisor**”) in connection with the issuance of the 2019 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor are contingent upon the sale and delivery of the 2019 Bonds.

### **LEGAL OPINION**

The validity of the 2019 Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, a Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D to this Official Statement, and the final opinion will be made available to registered owners of the 2019 Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the 2019 Bonds.

### **TAX MATTERS**

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2019 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2019 Bonds. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2019 Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a 2019 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2019 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2019 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations

between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2019 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2019 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2019 Bonds who purchase the 2019 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2019 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2019 Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2019 Bond (said term being the shorter of the 2019 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2019 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2019 Bond is amortized each year over the term to maturity of the 2019 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2019 Bond premium is not deductible for federal income tax purposes. Owners of premium 2019 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2019 Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the 2019 Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2019 Bonds, or as to the consequences of owning or receiving interest on the 2019 Bonds, as of any future date. Prospective purchasers of the 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2019 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2019 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2019 Bonds, the ownership, sale or disposition of the 2019 Bonds, or the amount, accrual or receipt of interest on the 2019 Bonds.



**APPENDIX A**

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

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# EXHIBIT A

City of Roseville  
Villages at Sierra Vista Community Facilities District No. 1  
(Public Facilities)  
Placer County, California

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

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## 1. Basis of Special Tax Levy

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

## 2. Definitions

**"Acre"** or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map or other Development Plan.

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

**"Administrative Expenses"** means the actual or reasonably estimated costs related to the administration of the CFD, including, but not limited to, these:

- a. Costs of computing Special Taxes and preparing annual Special Tax collection schedules (whether by the City or any designee thereof or both).
- b. Costs of collecting the Special Taxes (whether by the County, the City, or otherwise).
- c. Costs of remitting the Special Taxes to the Trustee.
- d. Costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Bond Indenture.
- e. Costs to the City, CFD, or any designee thereof of complying with arbitrage rebate requirements.
- f. Costs to the City, CFD, or any designee thereof of complying with City, CFD, or obligated persons disclosure requirements.

- g. Costs associated with preparing Special Tax disclosure statements.
- h. Costs incurred in responding to public inquiries regarding the Special Taxes.
- i. Costs to the City, CFD, or designee thereof related to any appeal of the Special Taxes.
- j. Costs associated with the release of funds from an escrow account, if any.
- k. Costs to the City for the issuance of Bonds authorized by the CFD that are not recovered through the Bond sale proceeds.
- l. Amounts estimated to be advanced or already advanced by the City for any other administrative purposes, including attorney's fees and other costs related to collection of the Special Taxes and commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

**"Administrator"** means a City official in the Finance Department, or their designee responsible for determining or overseeing the levy and collection of the Special Taxes.

**"Affordable Housing Director"** means, at any point in time, the person in the City who serves as head of the department that is in charge of the City's affordable housing program.

**"Affordable Unit"** means a Unit built on a Residential Use Parcel for which an Affordable Unit agreement has been entered into for the property designating the Unit as affordable.

A Multifamily Parcel may have only a portion of the Units assigned as Affordable Units. The City Manager, or his or her designee, shall determine which Units are designated as Affordable Units and maintain an Affordable Unit listing, which shall contain all designated buildable parcels by tract and lot number, and in the case of Large Lot Parcels remaining before May 1 of the preceding Fiscal Year, the number of designated Affordable Units for each such Large Lot Parcel; all entries shall indicate the effective date of designation. The Affordable Unit listing also shall be updated to reflect those Units no longer qualifying as Affordable Units, also known as Market-Rate Units. The Affordable Unit listing, which shall contain all qualifying Affordable Units as of April 30, shall be made available to the Administrator by July 1 of each year for purposes of determining the Maximum Annual Special Tax for Parcels pursuant to **Section 4**.

**"Annexation Parcels"** means a Parcel or Parcels annexed to the CFD after formation. The Maximum Annual Special Tax will be assigned to such Parcels using the provisions of **Section 4**. Annexation Parcels may be assigned a different Maximum Annual Special Tax Rate or Maximum Annual Special Tax per Parcel using a methodology different from the other Parcels in the CFD and may be placed in an area designated as a separate zone or improvement area of the CFD, all of which shall be set forth in revised attachments hereto as needed, without further CFD proceedings.

**"Annual Facilities Costs"** means, for any Fiscal Year, the total of these:

- a. Debt Service to be paid from Facilities Special Taxes.
- b. The amount needed to replenish the reserve fund for the Bonds to the level required under the Bond Indenture, to the extent not included in a computation of Annual Facilities Costs in a previous Fiscal Year.

- c. Administrative Expenses for such Fiscal Year.
- d. The amount needed to (1) cure any delinquencies in the payment of principal or interest on Bonds, which have occurred in the prior Fiscal Year, to the extent not otherwise included in a computation of Annual Facilities Costs in the current or any previous Fiscal Year, and (2) to fund any foreseeable deficiency of the amount to be available for the payment of principal or interest on Bonds, which are expected to occur in such Fiscal Year, to the extent not included in a computation of Annual Facilities Costs in the current or any previous Fiscal Year.
- e. The amount needed to (1) cure any delinquencies in the payment of the Facilities Special Tax in the prior Fiscal Year, to the extent not otherwise included in a computation of Annual Facilities Costs in the current or any previous Fiscal Year, and (2) to fund any foreseeable deficiency in the payment of the Facilities Special Tax for that Fiscal Year which is expected to occur in such Fiscal Year, to the extent not included in a computation of Annual Facilities Costs in the current or any previous Fiscal Year.
- f. Authorized Pay-As-You-Go Costs.
- g. During the Deferral Bonding Period, the amount needed to pay Development Impact Fee Deferrals not financed by Bonds.
- h. Less any available earnings on any reserve fund or Facilities Special Tax funds, available capitalized interest or any other available revenues of the CFD or the City that may be used to fund Annual Facilities Costs.

**“Annual Maintenance Costs”** means, for any Fiscal Year, the total of these:

- a. Authorized Services costs to be paid from Maintenance Special Taxes.
- b. Administrative Expenses for such Fiscal Year.
- c. The amount needed to (1) cure any delinquencies in the payment of the Maintenance Special Tax in the prior Fiscal Year, to the extent not otherwise included in a computation of Annual Maintenance Costs in the current or any previous Fiscal Year, and (2) to fund any foreseeable deficiency in the payment of the Maintenance Special Tax for that Fiscal Year which is expected to occur in such Fiscal Year, to the extent not included in a computation of Annual Maintenance Costs in the current or any previous Fiscal Year.
- d. Less any available earnings on any reserve fund, Maintenance Special Tax funds or any other available revenues of the CFD or the City that may be used to fund Annual Maintenance Costs.

**“Assessor’s Parcel”** means a lot or Parcel with an assigned Assessor’s Parcel Number in the maps used by the County Assessor in preparing the tax roll.

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

**“Assessor's Parcel Number”** means the Parcel and Parcel Number as assigned by the County Assessor on the equalized tax roll.

**"Assigned Maximum Annual Special Tax"** means the maximum Facilities Special Tax or Maintenance Special Tax assigned to each Large Lot Parcel that is an Original Parcel based on the Expected Land Uses at CFD formation, or at annexation, as shown in **Attachment 1**.

**"Authorized Facilities"** means those facilities and fees to be financed, as identified in the resolution forming the CFD.

**"Authorized Services"** means those services authorized to be funded, as defined in the resolution forming the CFD.

**"Base Year"** means the Fiscal Year beginning July 1, 2018, and ending June 30, 2019.

**"Bond(s)"** means any bond(s) issued by the City for the CFD under the Act and any other debt, as defined in the Act, the City incurs to further the CFD's purposes.

**"Bond Indenture"** means the indenture, resolution, fiscal agent agreement, or other financing document pursuant to which any Bonds are issued.

**"Building Permit"** means a permit issued by the City for the construction of a Residential Use or Nonresidential Use structure.

**"Business Professional"** means a Parcel or Parcels zoned to provide for office uses and other uses that are related to and supportive of office uses.

**"CFD"** means the Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) of the City of Roseville, Placer County, California.

**"City"** means the City of Roseville in Placer County, California.

**"Community Commercial"** means a Parcel or Parcels zoned to serve the principal retail shopping needs of the entire community by providing areas for shopping centers, and other retail and service uses.

**"Council"** means the City Council of the City acting for the CFD under the Act.

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

**"Debt Service"** means the total annual amount of Bond principal, interest, and the scheduled sinking fund payments of the Bonds in a calendar year.

**"Deferral Bonding Period"** means the period after the Initial Bonding Period has ended and during which the City finances the Development Impact Fee Deferral.

**"Developed Parcel"** means, in any Fiscal Year:

- a. For Single-Family Parcels: All Parcels for which a Final Small Lot Subdivision Map was recorded before May 1 of the preceding Fiscal Year.
- b. For Multifamily Parcels: All Parcels for which a Building Permit for new construction of a Residential Use structure was issued before May 1 of the preceding Fiscal Year.

- c. For all Nonresidential Use Parcels: All Parcels for which a Building Permit for new construction of a Nonresidential Use structure was issued before May 1 of the preceding Fiscal Year.

**"Development Agreement"** means the Development Agreement By and Between the City of Roseville and Mourier Investments, LLC, relative to the Sierra Vista Specific Plan dated April 28, 2010.

**"Development Impact Fee Deferral"** means the deferred payment of development impact fees due to the City or the South Placer Regional Transportation Authority (SPRTA) for Developed Parcels, using the approach and amounts identified in the Development Agreement, which may be amended from time to time.

**"Development Plan"** means a condominium plan, apartment plan, site plan, or other development plan that identifies such information as the type of structure, acreage, square footage, or number of Units that are approved to be developed on Single-Family Parcels, Multifamily Parcels, and Nonresidential Parcels.

**"Expected Land Use(s)"** means the total number of Units or Acres of each land use type by Tax Category expected in each Large Lot Parcel and Original Parcel at CFD formation as identified in **Attachment 3** of this RMA.

**"Facilities Special Tax"** means the Special Tax authorized to fund Annual Facilities Cost. Facilities Special Taxes are shown in **Attachments 2 and 3**.

**"Final Use Small Lot Parcel"** means a Parcel designated for development as a single-family residence, which is part of a Final Small Lot Subdivision Map.

**"Final Small Lot Subdivision Map"** means a recorded map designating the final Parcel subdivision for individual Single-Family Parcels.

**"Finance Director"** means the Finance Director for the City, or their designee.

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

**"Full Prepayment"** means the complete fulfillment of a Parcel's Facilities Special Tax obligation, as determined by following the procedures in **Section 8**.

**"High Density Residential"** means, per the Sierra Vista Specific Plan, a land use designation that primarily accommodates attached housing, but depending on the unit type, could also include detached housing, within the density range of 13.0 or greater dwelling units per gross developable acre. Typical housing product types include, but shall not be limited to, detached townhomes, courtyard townhomes/condominiums, garden-style apartments, and podium design apartments/condominiums.

**"Initial Bonding Period"** means the period in which Bonds are outstanding or refunded which financed Authorized Facilities costs other than the Development Impact Fee Deferral.

**"Large Lot Parcel"** means a Parcel created by a Large Lot Subdivision Map.

**"Large Lot Subdivision Map"** means a recorded subdivision map creating Parcels by land use. However, the Large Lot Subdivision Map does not delineate Single-Family Parcels. A Final Small Lot Subdivision Map will create individual Single-Family Parcels.

**"Low Density Residential"** means, per the Sierra Vista Specific Plan, a land use designation that supports single-family detached homes on conventional lots within the density range of up to 6.9 dwelling units per gross developable acre. Typical housing product types include, but shall not be limited to, standard, alley-loaded, or clustered, single-family detached units.

**"Maintenance Special Tax"** means the Special Tax authorized to fund Annual Maintenance Costs. The Maintenance Special Tax will be levied and collected beginning with the Transition Year. Maintenance Special Taxes are shown in **Attachment 4**.

**"Market-Rate Unit"** means a Unit that is not an Affordable Unit.

**"Maximum Annual Special Tax"** means the greatest amount of Facilities Special Tax or Maintenance Special Tax that can be levied against a Parcel in a given Fiscal Year, as shown in **Attachments 2, 3, and 4**.

**"Maximum Annual Facilities Special Tax"** means the greatest amount of Facilities Special Tax that can be levied against a Parcel in a given Fiscal Year, as shown in **Attachments 2, 3, or 4**.

**"Maximum Annual Maintenance Special Tax"** means the greatest amount of Maintenance Special Tax that can be levied against a Parcel in a given Fiscal Year, as shown in **Attachments 2, 3, or 4**.

**"Maximum Annual Special Tax Rate"** means the rate of Facilities Special Tax or Maintenance Special Tax charged per Unit or per Taxable Acre, as shown in **Attachments 2, 3, and 4**.

**"Maximum Annual Facilities Special Tax Revenue"** means the greatest amount of Facilities Special Tax revenue that can be collected in total from a group of Parcels (such as Developed Parcels) by levying the Maximum Annual Facilities Special Tax.

**"Maximum Annual Maintenance Special Tax Revenue"** means the greatest amount of Maintenance Special Tax revenue that can be collected in total from a group of Parcels (such as Developed Parcels) by levying the Maximum Annual Maintenance Special Tax.

**"Maximum Annual CFD Special Tax Revenue"** means the sum of the Maximum Annual Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

**"Medium Density Residential"** means, per the Sierra Vista Specific Plan, a land use designation that accommodates both single-family detached homes and attached homes within the density range of 7.0 to 12.9 dwelling units per gross developable acre. Typical housing product types include, but shall not be limited to, standard or alley-loaded lots, courtyard lots, green court lots, auto courts, alley clusters, zero-lot lines, or z-shaped lots. In addition, duet/half-plex homes, townhomes, or condominiums may be accommodated in Medium Density Residential areas.

**"Mixed Use Parcel"** means a Parcel or Parcels designated for a combination of Residential Uses and Nonresidential Uses.

**"Multifamily For-Rent"** or **"Multifamily For-Rent Parcel"** means any Parcel designated or developed for more than one residential dwelling Unit per Parcel and where such units are initially offered for rent to the general public and cannot be purchased by individual homeowners. Such uses may consist of apartments or structures such as duplexes or triplexes, including land uses defined as High Density Residential. Each residential dwelling Unit within Multifamily For-Rent or Multifamily For-Rent Parcels is not expected to have its own distinct Assessor's Parcel Number.

**"Multifamily For-Sale"** or **"Multifamily For-Sale Parcel"** means any Parcel designated or developed for more than one residential dwelling Unit within a single building or structure and that may share at least one common wall where such units are not initially offered for rent to the general public and initially may be offered for sale to individual homeowners. Such uses may consist of condominiums or buildings such as half-plexes or time-share units, including land uses defined as High Density Residential. Multifamily For-Sale Parcels are anticipated to have their own distinct Assessor's Parcel Number as is the case in residential condominium projects. Once designated as Multifamily For-Sale or Multifamily For-Sale Parcel, the Parcel shall remain so designated unless the original structures are demolished.

**"Nonresidential Use"** means a Taxable Parcel zoned for land uses other than Residential Uses which may include Business Professional, Community Commercial and Mixed Use.

**"Original Parcel"** means a Taxable Parcel identified in **Attachment 1** at formation of the CFD.

**"Parcel"** means any Assessor's Parcel in the CFD based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

**"Partial Prepayment"** means the partial fulfillment of a Parcel's Facilities Special Tax obligation, as determined by following the procedures in **Section 8.**

**"Pay-As-You-Go Costs"** means that portion of costs of acquisition, construction, and improvement of Authorized Facilities not financed by Bonds.

**"Prepayment"** means the full or partial fulfillment of a Parcel's Facilities Special Tax obligation, as determined by following the procedures in **Section 8.**

**"Proportionately"** means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Developed Parcels. For Small Lot Tentative Map Parcels, Proportionately means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Small Lot Tentative Map Parcels. For Large Lot Parcels, Proportionately means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Large Lot Parcels. For Undeveloped Parcels, Proportionately means that the ratio of the actual Special Tax levy to the Maximum Annual Special Tax is equal for all Undeveloped Parcels.

**"Public Parcel"** means any Parcel that is or is intended to be publicly owned, as designated in any final map, that is normally exempt from the levy of general ad valorem property taxes under California law, including, but not limited to, public streets, schools, parks, and public drainageways, landscaping, wetlands, greenbelts, and open space.

**“Remainder Parcel”** means a portion of a unit of land that is created as a result of the recording of a Large Lot Parcel Map or Final Small Lot Subdivision Map, which results in a designated remainder as defined in Government Code Section 66424.6(a) (Remainder Parcel). Such a Remainder Parcel may contain taxable and tax-exempt uses, such as Residential Uses, and Public Parcels, such as park sites. Once designated as a Remainder Parcel, such Parcel will be considered a Large Lot Parcel for the purposes of future Subdivisions and for the provisions of **Sections 4** through **6**.

**“Residential Use”** means a Parcel designated for residential use, such as single-family residential Units, residential condominiums, townhouses, or apartments that would be included in the definitions of Low-Density Residential, Medium Density Residential or High Density Residential.

**“RMA”** means this Rate and Method of Apportionment, and Manner of Collection of Special Tax, as it may be amended from time to time in connection with Annexation Parcels or otherwise.

**“Single-Family Parcel”** means, in any Fiscal Year, all Parcels in the CFD for which a building permit was issued or may be issued for construction of a Unit that is a single-family residential, residential condominium, or townhouse Unit.

**“Small Lot Tentative Map”** means a map that is approved by the City for the purpose of showing the design of a proposed Subdivision, including the individual buildable lots expected in the Subdivision, as well as the conditions pertaining thereto. A Small Lot Tentative Map is not based on a detailed survey of the property in the map and is not recorded at the County Recorder’s Office to create legal lots.

**“Small Lot Tentative Map Parcel”** means, in any Fiscal Year, all Parcels included in a Small Lot Tentative Map that was approved before May 1 of the prior Fiscal Year and which have not yet become a Developed Parcel.

**“Special Tax(es)”** mean(s) any tax levy under the Act in the CFD.

**“Subdivision”** or **“Subdivided”** means a division of a Parcel into two or more Parcels through Parcel reconfiguration, lot-line adjustments, or the Subdivision Map Act process. A Subdivision also may include the merging of two or more Parcels to create new Parcels.

**“Successor Parcel”** means a Parcel created by the Subdivision of an Original Parcel or a Successor Parcel.

**“Tax Category”** means the categories of taxable land uses shown in **Attachments 2** and **4**.

**“Tax Collection Schedule”** means the document prepared by the Administrator for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

**“Tax Escalation Factor”** means a factor of 2 percent by which the Maximum Annual Facilities Special Tax, Maximum Annual Maintenance Special Tax and related Maximum Annual Special Tax Rates shall be increased annually until the Transition Event. After the Transition Event, the Maximum Annual Maintenance Special Tax may be increased up to 2 percent annually at the City’s discretion. The Administrator should refer to Section 4a for application of the Tax Escalation Factor.

**"Taxable Acreage"** means that area of a Parcel determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. An example might be that a Large Lot Parcel Map creates a Remainder Parcel that, according to **Attachment 1**, contains both taxable uses and tax-exempt uses.

**"Taxable Parcel"** means any Parcel that is not a Tax-Exempt Parcel.

**"Tax-Exempt Parcel"** means a Parcel not subject to the Annual Special Tax. Tax-Exempt Parcels include (a) Public Parcels, and (b) Parcels owned by the City, school districts, special districts, or the state or federal government. A Taxable Parcel that is acquired by a public agency, the Parcel shall remain a Taxable Parcel as per the provisions of **Section 4.h**.

Certain privately-owned Parcels also may be exempt from the levy of Annual Special Taxes, including common areas owned by homeowner's associations or property owner associations, wetlands, detention basins, water quality ponds, and open space, as determined by the Administrator.

**"Transition Event"** means the earlier of (a) after the Initial Bonding period, the Fiscal Year in which the Administrator determines the Development Impact Fee Deferral has been repaid in full to the City and City determines funding is no longer needed for Annual Facilities Costs, or (b) Fiscal Year 2083-84.

**"Transition Year"** means the first Fiscal Year following the Fiscal Year in which the Transition Event occurred.

**"Trustee"** means a national banking association organized and existing under the laws of the United States acting as a trustee or fiscal agent for Bonds.

**"Undeveloped Parcel"** means a Taxable Parcel that is not a Developed Parcel, Small Lot Tentative Map Parcel, or a Large Lot Parcel.

**"Unit"** means, for a Single-Family Parcel, the individual residential unit on such Parcel, or for a Multifamily For-Rent Parcel or Multifamily For-Sale Parcel, an individual residential unit in a multifamily building.

### **3. Duration of the Special Tax**

The Facilities Special Tax will be levied and collected until the earlier of (i) the Transition Year or (ii) Fiscal Year 2082-83. The Maintenance Special Tax will be levied and collected beginning in the Transition Year. The Maintenance Special Tax will be collected in perpetuity.

### **4. Administrative Tasks for the Facilities Special Tax**

Tasks required of the Administrator are discussed below:

- a. Annual Special Tax Escalation. Until the Transition Event, the Administrator shall increase the Maximum Annual Facilities Special Tax, the Maximum Annual Maintenance Special Tax and Maximum Annual Special Tax Rates by the Tax Escalation Factor in all Fiscal Years following the Base Year. After the Transition Event, the City, in its sole discretion, may

determine whether to apply the Tax Escalation Factor to the Maximum Annual Maintenance Special Tax in any Fiscal Year.

- b. Assignment of the Maximum Annual Facilities Special Tax to Original Parcels. **Attachment 3** identifies the Assigned Maximum Annual Facilities Special Tax for each Original Parcel at CFD formation, which is determined for each Large Lot Parcel based on the Expected Land Uses in each Large Lot Parcel at CFD Formation. The Assigned Maximum Annual Facilities Special Tax shall continue to apply to the geographic area to which it was assigned. If, before further Subdivision, the Administrator determines there are multiple Assessor's Parcels in a Large Lot Parcel, the Administrator shall assign the Maximum Annual Facilities Special Tax to each Assessor's Parcel on a pro rata basis to all Assessor's Parcels in that Large Lot Parcel based on the percentage share of Taxable Acreage identified for each Assessor's Parcel. Similarly, if the Administrator determines there are multiple Large Lot Parcels in an Assessor's Parcel, the Maximum Annual Facilities Special Tax shall equal the sum of the Assigned Maximum Annual Facilities Special Tax for all Large Lot Parcels in that Assessor's Parcel.
  
- c. Assignment of the Maximum Annual Facilities Special Tax to Annexation Parcels. If Parcels are annexed to the CFD after formation, the Maximum Annual Facilities Special Tax shall be assigned to these Annexation Parcels using the definitions in **Section 2** and the Maximum Annual Facilities Special Tax per Unit or Acre shown in **Attachment 2** as adjusted by the Tax Escalation Factor applied by the Administrator, unless the Annexation Parcels are annexed with a new set of Maximum Annual Facilities Special Taxes. **Attachment 1** or **2** shall be amended, or a new attachment created, to include the Annexation Parcels and, if necessary, the applicable tax rates. If new Maximum Annual Facilities Special Taxes are created, **Attachments 1, 2, and 3** should be amended to reflect the Maximum Annual Facilities Special Taxes for the Annexation Parcels. Once annexed, these annexed Parcels shall be considered Original and Successor Parcels and will be subject to the same procedures for assignment of the Maximum Annual Facilities Special Tax to Successor Parcels described in **Section 4.d**. The owner of the Annexation Parcels shall be responsible for paying all costs associated with annexing the Annexation Parcels to the CFD, but otherwise shall not be required to pay any other charge, fee or catch-up special tax in connection with or as a condition of such annexation unless otherwise agreed to by the owner of the Annexation Parcel in connection with the annexation.
  
- d. Assignment of the Maximum Annual Facilities Special Tax to Successor Parcels. As Original Parcels and Successor Parcels are Subdivided through creation of Final Small Lot Subdivision Maps, lot line adjustments or other Parcel amendments through the Subdivision Map Act process, the Administrator shall use the following steps to assign the Maximum Annual Facilities Special Tax to new Successor Parcels. As a result of each assignment of the Maximum Annual Facilities Special Tax upon Subdivision of an Original Parcel or Successor Parcel, the sum of the Maximum Annual Facilities Special Taxes assigned to the newly created Taxable Parcels shall never be less, but may be greater, than the Assigned Maximum Annual Facilities Special Tax for that Original Parcel or Successor Parcel.
  - 1. If an Original Parcel or Successor Parcel is Fully Subdivided into Single-Family Parcels with No Remainder Parcel(s). There shall be no net loss of Maximum CFD Special Tax Revenue as a result of the assignment of the Maximum Annual Facilities Special Tax to

Single-Family Parcels. The Administrator shall use the following procedures to assign the Maximum Annual Facilities Special Tax to Single-Family Parcels. All references to Maximum Annual Facilities Special Taxes in the attachments are subject to application by the Tax Escalation Factor by the Administrator:

- A. Multiply the Maximum Annual Facilities Special Tax per Unit by Tax Category from **Attachment 2** by the number of Units for each Single-Family Parcel created by the Subdivision. Sum the Maximum Annual Facilities Special Taxes for all Single-Family Parcels created by the Subdivision.
  - B. If the sum of Maximum Annual Facilities Special Taxes calculated in Step 4.d.1.A above is equal to or greater than the Assigned Maximum Annual Facilities Special Tax for the Original or Successor Parcel that was Subdivided, assign the Maximum Annual Facilities Special Tax per Unit by Tax Category as calculated in Step 4.1.d.A above to each Single-Family Parcel created by the Subdivision.
  - C. If the sum of Maximum Annual Facilities Special Taxes calculated in Step 4.d.1.A above is less than the Assigned Maximum Annual Facilities Special Tax for the Original or Successor Parcel that was Subdivided, unless 100 percent of the Units are designated Affordable Units, (i) assign the Maximum Annual Facilities Special Tax for Affordable Units shown in **Attachment 2** to each Affordable Unit (if any) and, (ii) Proportionately increase the Maximum Annual Facilities Special Tax per Unit for all Units that are not Affordable Units until the sum of resulting Maximum Annual Facilities Special Taxes from all Units (including Affordable Units) equals the Assigned Maximum Annual Facilities Special Tax for the Original or Successor Parcel that was Subdivided. Assign the Maximum Annual Facilities Special Tax calculated in this step to each new Single-Family Parcel created by the Subdivision.
  - D. If the sum of Maximum Annual Facilities Special Taxes calculated in Step 4.d.1.A above is less than the Assigned Maximum Annual Facilities Special Tax for the Original or Successor Parcel that was Subdivided **and** if 100 percent of the Single-Family Parcels created by Subdivision are designated as Affordable Units, increase Proportionately the Maximum Annual Facilities Special Tax per Unit for each Affordable Unit until the sum of Maximum Annual Facilities Special Taxes from all Affordable Units on the new Single-Family Parcels created by the Subdivision equal the Assigned Maximum Annual Facilities Special Tax for the Original or Successor Parcel that was Subdivided. Assign the Maximum Annual Facilities Special Tax calculated in this step to each new Single-Family Parcel created by the Subdivision.
2. If Original or Successor Parcel Is Subdivided into Single-Family Parcels and One or More Remainder Parcels. When an Original or Successor Parcel is Subdivided into Single-Family Parcels and one or more Large Lot Parcels (or Remainder Parcels), the Assigned Maximum Annual Facilities Special Tax is apportioned to the Single-Family Parcels and Large Lot Parcels created by the Subdivision in the following manner:
- A. Apportion the Assigned Maximum Annual Facilities Special Tax to the area(s) that is/are being Subdivided into Single-Family Parcels and to the area(s) that will be Remainder Parcel(s) on a pro rata basis, based on the percentage share of Taxable

Acres represented by each such area as compared to the total area of the Original or Successor Parcel.

- B. For each area Subdivided into Single-Family Parcels, multiply the Maximum Annual Facilities Special Tax per Unit by Tax Category from **Attachment 2** by the number of Units for each Single-Family Parcel created by the Subdivision. Sum the Maximum Annual Facilities Special Taxes for all Single-Family Parcels created by the Subdivision.
- C. For each area Subdivided into Single-Family Parcels, if the sum of Maximum Annual Facilities Special Taxes calculated in Step 4.d.2.B above is equal to or greater than the Assigned Maximum Annual Facilities Special Tax apportioned to that area of the Original or Successor Parcel that was Subdivided into Single-Family Parcels, assign the Maximum Annual Facilities Special Tax per Unit by Tax Category as calculated in Step 4.d.2.B above to each Single-Family Parcel created by the Subdivision.
- D. For each area Subdivided into Single-Family Parcels, if the sum of Maximum Annual Facilities Special Taxes calculated in Step 4.d.2.B above is less than the Assigned Maximum Annual Facilities Special Tax apportioned to that area of the Original or Successor Parcel that was Subdivided into Single-Family Parcels, unless 100 percent of the Units are designated Affordable Units, (i) assign the Maximum Annual Facilities Special Tax for Affordable Units shown in **Attachment 2** to each Affordable Unit (if any) and, (ii) Proportionately increase the Maximum Annual Facilities Special Tax per Unit for all Units that are not Affordable Units until the sum of resulting Maximum Annual Facilities Special Taxes from all Units (including Affordable Units) equals the Assigned Maximum Annual Facilities Special Tax apportioned to that area of the Original or Successor Parcel that was Subdivided into Single-Family Parcels. Assign the Maximum Annual Facilities Special Tax calculated in this step to each new Single-Family Parcel created by the Subdivision.
- E. For each area Subdivided into Single-Family Parcels, if the sum of Maximum Annual Facilities Special Taxes calculated in Step 4.d.2.B above is less than the Assigned Maximum Annual Facilities Special Tax apportioned to that area of the Original or Successor Parcel that was Subdivided into Single-Family Parcels **and** if 100 percent of the Single-Family Parcels created by Subdivision are designated as Affordable Units, increase Proportionately the Maximum Annual Facilities Special Tax per Unit for each Affordable Unit until the sum of Maximum Annual Facilities Special Taxes from all Affordable Units on the new Single-Family Parcels created by the Subdivision equal the Assigned Maximum Annual Facilities Special Tax apportioned to that area of the Original or Successor Parcel that was Subdivided into Single-Family Parcels. Assign the Maximum Annual Facilities Special Tax calculated in this step to each new Single-Family Parcel created by the Subdivision.
- F. For the Remainder Parcel or Parcels, identify the Maximum Annual Facilities Special Tax for the entire Original or Successor Parcel that has been Subdivided. Sum the Maximum Annual Facilities Special Tax for all Single-Family Parcels created by the Subdivision, including Single-Family Parcels with Affordable Units. Subtract the sum of the Maximum Annual Facilities Special Tax for all Single-Family Parcels from the Assigned Maximum Annual Facilities Special Tax for the Original or Successor Parcel

being subdivided and compare it to the Maximum Annual Facilities Special Tax assigned to the Remainder Parcel or Parcels in Step 4.d.2.A. Assign to each Remainder Parcel, the lesser of the calculations in this step or in Step 4.d.2.A, but in no event less than the difference between the previously Assigned Maximum Annual Facilities Special Tax for the Original Parcel or Successor Parcel being Subdivided and the total of the Maximum Annual Facilities Special Tax for all Single-Family Parcels created by such Subdivision.

Once designated as a Remainder Parcel, such Parcel will be considered a Large Lot Parcel for the purposes of future Subdivisions and for the provisions of **Sections 4** through **6**.

3. If an Original or Successor Parcel is Subdivided creating multiple land uses and Tax Categories or for any rezones of land uses on Original or Successor Parcels:
  - A. Identify the Assigned Maximum Annual Facilities Special Tax for the Original Parcel or Successor Parcel that is being Subdivided or rezoned.
  - B. For each Taxable Parcel subject to rezone or created by Subdivision multiply the Maximum Annual Facilities Special Tax per Unit or per Acre by the number of Units or by the number of Acres by the appropriate Tax Category. For each Taxable Parcel created by Subdivision that includes Affordable Units, multiply the number of Affordable Units by the Tax per Unit for such Affordable Units.
  - C. Sum the Maximum Annual Facilities Special Tax for each Taxable Parcel and compare it to the Assigned Maximum Annual Facilities Special Tax of the Original or Successor Parcel that is subject to rezone or is being Subdivided. If the sum of Maximum Annual Facilities Special Tax for each Taxable Parcel is greater than the Assigned Maximum Annual Facilities Special Tax for the Original Parcel, the Administrator shall apply the Maximum Annual Facilities Special Tax calculated above for each Taxable Parcel.
  - D. If the Assigned Maximum Annual Facilities Special Tax for the Original Parcel or Successor Parcel subject to rezone or that is being subdivided is greater than the sum of Maximum Annual Facilities Special Tax for each Successor Parcel being created, increase Proportionately the Maximum Annual Facilities Special Tax per Unit or per Acre for all Tax Categories on each Taxable Parcel such that the sum of Maximum Annual Facilities Special Tax for all Taxable Parcels equals the Assigned Maximum Annual Facilities Special Tax for the Original Parcel.
- e. Affordable Units that Become Market-Rate Units. If, in any Fiscal Year, the City Manager, or his or her designee, determines that a Unit that previously had been designated as an Affordable Unit no longer qualifies as such, the Affordable Housing Director shall update the Affordable Unit listing by denoting the change in status of the Unit, together with the effective date thereof. For all Affordable Units that are converted to Market-Rate Units, such Units shall be assigned the Maximum Annual Facilities Special Tax per Unit based on their Tax Category as shown in **Attachment 2**, as adjusted by the Tax Escalation Factor.
- f. Transfer of the Assigned Maximum Annual Facilities Special Tax from One Large Lot Parcel to Another. The Maximum Annual Facilities Special Taxes shown in **Attachment 3** were determined based on the Expected Land Uses for each Large Lot Parcel shown in

**Attachment 1.** If the number of planned residential Units or Nonresidential Acreage is transferred from one Large Lot Parcel to another before recording of a Final Small Lot Subdivision Map in any portion of the Large Lot Parcel, the City may, in its sole discretion, allow for a transfer of the Maximum Annual Facilities Special Tax from one Large Lot Parcel to another. Such a transfer shall be allowed only if (1) all adjustments are agreed to in writing by the affected property owners and the Finance Director, and (2) there is no reduction in the Maximum Annual CFD Special Tax Revenues as a result of the transfer. Should a transfer result in an amendment to **Attachment 1, 2, or 3** of the Notice of Special Tax Lien, the requesting property owner shall bear the costs to effect the transfer in the CFD records and prepare the required amendments to the Notice of Special Tax Lien and **Attachments 1, 2, or 3**. Before the transfer, the City may require a deposit from the requesting property owner for such costs.

- g. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is not needed for public use and is converted to a taxable use or transferred to a private owner, it shall become subject to the Facilities Special Tax. The Maximum Annual Facilities Special Tax for the newly Taxable Parcel will be determined using the provisions of **Sections 4 and 5** of the RMA.
- h. Taxable Parcels Acquired by a Public Agency. A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel, such as a park site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Facilities Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum Annual CFD Special Tax Revenue and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Finance Director.

## **5. Administrative Tasks for the Maintenance Special Tax**

This section discusses the administrative tasks for the Maintenance Special Tax, which shall be applicable after the Transition Event.

Tasks required of the Administrator are discussed below:

- a. Assignment of the Maximum Annual Maintenance Special Tax to Developed Parcels. After the Transition Event, the Administrator shall assign the Maximum Annual Maintenance Special Tax to all Developed Parcels using the Maximum Annual Special Tax Rates for the Maintenance Special Tax by Tax Category shown in **Attachment 4**, as adjusted by the Tax Escalation Factor.
- b. Assignment of the Maximum Annual Maintenance Special Tax to Successor Parcels. After the Transition Event, if Original Parcels and Successor Parcels are Subdivided through creation of Final Small Lot Subdivision Maps, lot line adjustments or other Parcel amendments through the Subdivision Map Act process, the Administrator shall use the steps in **Section 4.d** to assign the Maximum Annual Maintenance Special Tax to new Successor Parcels. **When**

**applying Section 4.d after the Transition Event, the Administrator shall substitute Maintenance Special Tax for Facilities Special Tax and shall substitute Maximum Annual Maintenance Special Tax for Maximum Annual Facilities Special Tax.**

- c. Assignment of the Maximum Annual Maintenance Special Tax to Annexation Parcels. If Parcels are annexed to the CFD after formation, the Maximum Annual Maintenance Special Tax shall be assigned to these Annexation Parcels using the definitions in Section 2 and the Maximum Annual Maintenance Special Tax per Unit or Acre shown in **Attachment 4** as adjusted by the Tax Escalation Factor applied by the Administrator, unless the Annexation Parcels are annexed with a new set of Maximum Annual Maintenance Special Taxes. **Attachment 1** may be amended, or a new attachment created, to include the Annexation Parcels and, if necessary, the applicable tax rates. If new Maximum Annual Maintenance Special Taxes are created, **Attachment 4** should be amended to reflect the Maximum Annual Maintenance Special Taxes for the Annexation Parcels. Once annexed, these annexed Parcels shall be considered Original and Successor Parcels and will be subject to the same procedures for assignment of the Maximum Annual Maintenance Special Tax to Successor Parcels described in this section. The owner of the Annexation Parcels shall be responsible for paying all costs associated with annexing the Annexation Parcels to the CFD, but otherwise shall not be required to pay any other charge, fee or catch-up special tax in connection with or as a condition of such annexation unless otherwise agreed to by the owner of the Annexation Parcel in connection with the annexation.
- d. Affordable Units that Become Market-Rate Units. If, in any Fiscal Year, the City Manager, or his or her designee, determines that a Unit that previously had been designated as an Affordable Unit no longer qualifies as such, the Affordable Housing Director shall update the Affordable Unit listing by denoting the change in status of the Unit, together with the effective date thereof. For all Affordable Units that are converted to Market-Rate Units, such Units shall be assigned the Maximum Annual Maintenance Special Tax per Unit based on their Tax Category as shown in **Attachment 4**, as adjusted by the Tax Escalation Factor.
- e. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is not needed for public use and is converted to a taxable use or transferred to a private owner, it shall become subject to the Maintenance Special Tax. The Maximum Annual Maintenance Special Tax for the newly Taxable Parcel will be determined using the provisions of **Sections 5 and 6** of the RMA.
- f. Taxable Parcels Acquired by a Public Agency. A Taxable Parcel that is acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code. An exception to this may be made if a Public Parcel, such as a park site, is relocated to a Taxable Parcel, in which case the previously Tax-Exempt Parcel of comparable acreage becomes a Taxable Parcel and the Maximum Annual Maintenance Special Tax from the previously Taxable Parcel is transferred to the new Taxable Parcel. This trading of a Parcel from a Taxable Parcel to a Public Parcel will be permitted to the extent there is no net loss in Maximum Annual CFD Special Tax Revenue and the transfer is agreed to by the owners of the Parcels involved in the transfer and the Finance Director

## 6. Assignment of the Maximum Annual Special Tax

- a. Classification of Parcels. For purposes of the next Fiscal Year tax levy, by June 30 of each Fiscal Year, using the Definitions in **Section 2**, the Parcel records of the Assessor's secured tax roll as of January 1, and other City development approval records, the Administrator shall cause:
  1. Each Parcel to be classified as a Taxable Parcel or Tax-Exempt Parcel.
  2. Each Parcel to be classified as a Developed Parcel, a Small Lot Tentative Map Parcel, a Large Lot Parcel (including Remainder Parcels), or an Undeveloped Parcel.
- b. Assignment of the Maximum Annual Facilities Special Tax to Taxable Parcels. The Maximum Annual Facilities Special Tax will be assigned to each Taxable Parcel each Fiscal Year using the procedures (not all steps may be applicable for each such Parcel) in **Section 4**.
- c. Assignment of the Maximum Annual Maintenance Special Tax to Taxable Parcels. The Maximum Annual Maintenance Special Tax will be assigned to each Taxable Parcel each Fiscal Year using the procedures (not all steps may be applicable for each such Parcel) in **Sections 4 and 5**.

## 7. Calculating Annual Special Taxes

This section discusses the levy of the Facilities Special Tax and the Maintenance Special Tax. Collectively, these Special Taxes are included in the discussion of the assignment of the Maximum Annual Special Taxes. For the period following CFD formation until the Transition Event, the Maximum Annual Special Tax shall refer to the Facilities Special Tax. Beginning with the Transition Year, the Maximum Annual Special Tax shall refer to the Maintenance Special Tax.

The Administrator will compute the Annual Facilities Costs or Annual Maintenance Costs and determine the annual Special Tax levy for each Taxable Parcel based on the assignment of the Special Tax in **Sections 4, 5, and 6**. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

### Facilities Special Tax Levy

- a. Compute the Annual Facilities Costs using the definition of Annual Facilities Costs in **Section 2**.
- b. For all Taxable Parcels, calculate the Facilities Special Tax levy for each using the following steps:
  - Step 7.b.1. The Facilities Special Tax shall be levied proportionately on all Developed Parcels up to the amount of Annual Facilities Cost or up to 100 percent of the Maximum Annual Facilities Special Tax Revenue for all Developed Parcels, whichever is less.
  - Step 7.b.2. If additional revenue is needed after *Step 7.b.1.*, the Facilities Special Tax shall be levied proportionately on each Small Lot Tentative Map Parcel until the revenue from the Facilities Special Tax levy in this step, when added to the levy amount computed in *Step 7.b.1.*, equals the Annual Facilities Costs, or up to

100 percent of the Maximum Annual Facilities Special Tax Revenue for all Small Lot Tentative Map Parcels. As necessary, the Facilities Special Tax shall be levied on Small Lot Tentative Map Parcels for the entire portion of Annual Facilities Costs, excluding Pay-As-You-Go Costs.

Step 7.b.3. If additional revenue is needed after *Step 7.b.2.*, the Facilities Special Tax shall be levied proportionately on each Large Lot Parcel until the revenue from the Facilities Special Tax levy in this step, when added to the levy amount computed through *Step 7.b.2.*, equals the Annual Facilities Costs, or up to 100 percent of the Maximum Annual Facilities Special Tax Revenue for all Large Lot Parcels. As necessary, the Facilities Special Tax shall be levied on Large Lot Parcels for the entire portion of Annual Facilities Costs, excluding Pay-As-You-Go Costs.

Step 7.b.4. If additional revenue is needed after *Step 7.b.3.*, the Facilities Special Tax shall be levied on each Undeveloped Parcel until the revenue from the Facilities Special Tax levy in this step, when added to the levy amounts computed through *Step 7.b.3.*, equals the Annual Facilities Costs, or up to 100 percent of the Maximum Annual Facilities Special Tax Revenue for all Undeveloped Parcels. As necessary, the Facilities Special Tax shall be levied on Undeveloped Parcels for the entire portion of Annual Facilities Costs, excluding Pay-As-You-Go Costs.

#### **Maintenance Special Tax Levy**

c. Beginning in the Transition Year, compute the Annual Maintenance Cost using the definition of Annual Maintenance Costs in **Section 2.**

d. For all Taxable Parcels, calculate the Maintenance Special Tax levy for each using the following steps:

Step 7.d.1. The Maintenance Special Tax shall be levied proportionately on all Developed Parcels up to the amount of Annual Maintenance Cost or up to 100 percent of the Maximum Annual Maintenance Special Tax Revenue for all Developed Parcels, whichever is less.

Step 7.d.2. If additional revenue is needed after *Step 7.d.1.*, the Maintenance Special Tax shall be levied proportionately on each Small Lot Tentative Map Parcel until the revenue from the Maintenance Special Tax levy in this step, when added to the levy amount computed in *Step 7.d.1.*, equals the Annual Maintenance Costs, or up to 100 percent of the Maximum Annual Maintenance Special Tax Revenue for all Small Lot Tentative Map Parcels.

Step 7.d.3. If additional revenue is needed after *Step 7.d.2.*, the Maintenance Special Tax shall be levied proportionately on each Large Lot Parcel until the revenue from the Maintenance Special Tax levy in this step, when added to the levy amount computed through *Step 7.d.2.*, equals the Annual Maintenance Costs, or up to 100 percent of the Maximum Annual Maintenance Special Tax Revenue for all Large Lot Parcels

Step 7.d.4. If additional revenue is needed after *Step 7.d.3.*, the Maintenance Special Tax shall be levied on each Undeveloped Parcel until the revenue from the Maintenance Special Tax levy in this step, when added to the levy amounts computed through *Step 7.d.3.*, equals the Annual Maintenance Costs, or up to 100 percent of the Maximum Annual Maintenance Special Tax Revenue for all Undeveloped Parcels.

- e. Levy on each Taxable Parcel the amount calculated above.
- f. Prepare the Tax Collection Schedule and, unless an alternative method of collection has been selected pursuant to **Section 9**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will be sent no later than the date required by the County Auditor for such inclusion.

The Administrator will make every effort to calculate the Special Tax correctly for each Parcel. It will be the burden of the taxpayer to identify any errors in determining which Parcels are subject to the tax and their Special Tax assignments.

## **8. Prepayment of the Facilities Special Tax Obligation**

A property owner may at any time prepay 50 percent, but not more or less than 50 percent of the Maximum Annual Facilities Special Tax. For Nonresidential Use Parcels, Full Prepayment is permissible at any time. Full Prepayment is not allowable for Residential Use Parcels.

In addition to the conditions above, the City may allow a Full or Partial Prepayment if the City determines that the Prepayment will not jeopardize its ability to make timely payments of Debt Service and maintain a 110-percent annual Debt Service coverage based on Maximum Annual Special Tax Revenues in all years where there will be Outstanding Bonds. Prepayments must be made by May 1 to have the Prepayment reflected in the following Fiscal Year's Special Tax levy. Prepayment is permitted only under the following conditions:

- The landowner prepaying the Facilities Special Tax on a Parcel has paid any delinquent Facilities Special Tax and penalties on that Parcel before Prepayment.
- Following Prepayment, amounts in the reserve fund are equal to or greater than the reserve fund requirement.
- The City determines that the Prepayment will not jeopardize its ability to make timely payments of Debt Service and maintain a 110-percent annual Debt Service coverage based on Maximum Annual Special Tax Revenues in all years in which issued Bonds will be outstanding.
- The portion of the Prepayment for the Development Impact Fee Deferral shall only be used to pay for the Development Impact Fee Deferral whether it was or is to be funded through annual special tax payments or through bonded indebtedness.

When permitted, the Administrator shall calculate Prepayments using the following steps:

a. The Full Prepayment amount shall be established by following the steps below:

- Step 8.a.1: Determine the Facilities Special Tax for the Taxable Parcel for which the Facilities Special Tax is to be prepaid using the provisions of **Sections 4, 5, and 6**. If the Parcel is not designated as a Developed Parcel, determine the applicable Facilities Special Tax for the Parcel assuming it is a Developed Parcel.
- Step 8.a.2: Increase the Facilities Special Tax by 2 percent per annum for the longer of (i) 30 years from the year in which the Parcel was first subject to the Facilities Special Tax as a Developed Parcel, or (ii) the end of the then-remaining Initial Bonding Period.
- Step 8.a.3: Using a discounted rate equal to the most current yield for the 30-Year Treasury Constant Maturity, calculate the net present value of the revenue stream determined *Step 8.a.2*. If this yield is no longer available, the Administrator will select a yield rate from the most comparable type of security.
- Step 8.a.4: Add to the amount calculated in *Step 8.a.3* interest on the Bonds being redeemed to the next redemption date.
- Step 8.a.5: Add to the amount calculated in *Step 8.a.4* a redemption premium on the Bonds being redeemed (if any).
- Step 8.a.6: Add to the amount calculated in *Step 8.a.5* the Development Impact Fee Deferral amount applicable to the Parcel, as adjusted for inflation. If Bonds have been issued to finance the Development Impact Fee Deferral, follow *Step 8.a.2* and *8.a.3*, using for *Step 8.a.2* the longer of (i) 30 years from the year in which the Parcel was first subject to the Facilities Special Tax during the Deferral Bonding Period, or (ii) the end of the then-remaining Deferral Bonding Period.
- Step 8.a.7: Add the administrative cost of processing the Prepayment to the amount calculated in *Step 8.a.6*.
- Step 8.a.8: The amount in *Step 8.a.7* is the amount of the Full Prepayment of the Maximum Annual Special Tax for the Taxable Parcel.

b. Partial Prepayments will be calculated as described below:

The amount of any Partial Prepayment is limited to 50 percent of the Full Prepayment amount determined in *Step 8.a.8*. A Partial Prepayment may only be made in an amount equal 50 percent of the Full Prepayment desired by the party making a Partial Prepayment, except that the full amount of Administrative fees and expenses determined in *Step 8.a.7* shall be included in the Partial Prepayment. The Facilities Special Tax that can be levied on a Parcel after a Partial Prepayment is made is equal to one-half of the Facilities Special Tax that could have been levied before the Partial Prepayment.

## **9. Interpretation, Application, and Appeal of Special Tax Formula and Procedures**

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

Interpretations may be made by the City, without Resolution or Ordinance of the Council, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Tax rate, the method of apportionment, the classification of properties, or any definition applicable to the CFD.

Without Council approval, the Finance Director may make minor, non-substantive administrative and technical changes to the provisions of this RMA that do not materially affect the rate, method of apportionment, or manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law.

The City, upon request of an owner of land in the CFD that is not a Developed Parcel, also may amend this RMA in any manner acceptable to the City, without Resolution or Ordinance of the Council, upon the affirmative vote of such owner and without the vote of owners of any other land in the CFD, provided such amendment is only applicable to such owner's land and does not reduce the total Maximum Annual CFD Special Tax Revenue.

## **10. Manner of Collection**

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



**Attachment 2**  
**Villages at Sierra Vista CFD No. 1 (Public Facilities)**  
**Maximum Annual Facilities Special Taxes by Tax Category**  
**for the Base Year of FY 2018-19 [1]**

Expected Land Uses (Tax Category)	Facilities Special Tax per Unit/Taxable Acre	
	Before Transition Event [1]	After Transition Event
<b>Residential Uses</b>	<u>per Unit</u>	<u>per Unit</u>
Low Density Residential (LDR)	\$1,800.00	\$0.00
Medium Density Residential (MDR)	\$1,600.00	\$0.00
High Density Residential (HDR) [2]		
High Density Residential (HDR) For-Sale [2]	\$0.00	\$0.00
High Density Residential (HDR) For-Rent [2]	\$0.00	\$0.00
Affordable Medium Density Residential	\$800.00	\$0.00
Affordable High Density Residential [2]	\$0.00	\$0.00
<b>Nonresidential Uses [2]</b>	<u>per Taxable Acre</u>	<u>per Taxable Acre</u>
Mixed Use (MU) [2]	\$0.00	\$0.00
Business Professional (BP) [2]	\$0.00	\$0.00
Community Commercial (CC) [2]	\$0.00	\$0.00
<b>Undeveloped Property</b>	\$9,500.00	\$0.00

"att2"

[1] This amount is subject to increase by the Tax Escalation Factor in each Fiscal Year following the Base Year as described in this RMA.

[2] If a Low Density Residential, Medium Density Residential or Affordable Medium Density Residential Parcel with a Special Tax is rezoned to a use with an identified Special Tax of \$0 in this attachment, the Special Tax would be assigned to the Parcel using the provisions of Section 4 of this RMA.

**Attachment 3**  
**Villages at Sierra Vista CFD No. 1 (Public Facilities)**  
**Assigned Maximum Annual Special Tax for Original Parcels (Base Year of FY 2018-19) [1] [2]**

Original Parcel	Village Number	Expected Land Uses			Planned Units per Acre	Assigned Maximum Annual Special Tax per Unit		Assigned Maximum Annual Special Tax per Village	
		Tax Category	Acres	Planned Units		[1]	[2]	[1]	[2]
498-010-036	JM-20, Phase 1	MDR	13.2	88	6.7	\$1,600.00		\$140,800.00	
498-010-037	JM-2, Phase 1	LDR	15.3	92	6.0	\$1,800.00		\$165,600.00	
498-010-040	JM-3 - Phase 1	LDR	19.5	83	4.3	\$1,800.00		\$149,400.00	
498-010-042	JM-4, Phase 1	LDR	18.6	92	4.9	\$1,800.00		\$165,600.00	
498-010-043	JM-4, Phase 2	LDR	7.0	40	5.7	\$1,800.00		\$72,000.00	
<b>CFD Totals</b>			<b>73.6</b>	<b>395</b>				<b>\$693,400.00</b>	

"att3"

[1] This amount is subject to increase by the Tax Escalation Factor in each Fiscal Year following the Base Year as described in this RMA.  
 [2] If amended to included Annexation Parcels, the Maximum Annual Special Tax for Annexation Parcels would also be subject to the Tax Escalation Factor.

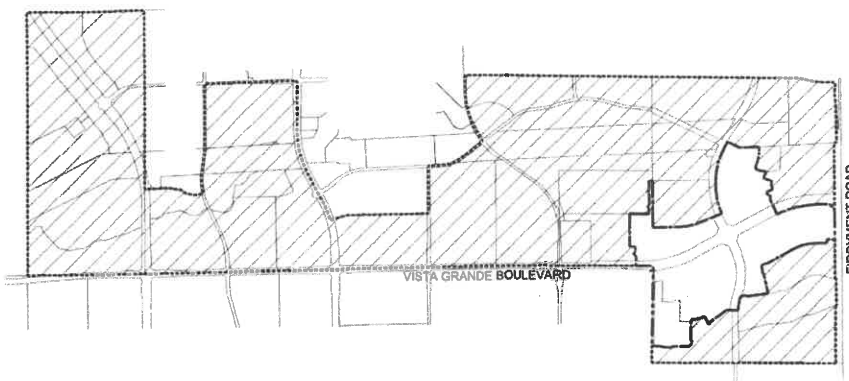
**Attachment 4**  
**Villages at Sierra Vista CFD No. 1 (Public Facilities)**  
**Maximum Annual Maintenance Special Taxes by Tax Category**  
**for the Base Year of FY 2018-19 [1]**

Expected Land Uses (Tax Category)	Maintenance Special Tax per Unit/Taxable Acre	
	Before Transition Event [1]	After Transition Event [1]
<b>Residential Uses</b>	<i>per Unit</i>	<i>per Unit</i>
Low Density Residential (LDR)	\$0.00	\$900.00
Medium Density Residential (MDR)	\$0.00	\$800.00
High Density Residential (HDR) [2]		
High Density Residential (HDR) For-Sale	\$0.00	\$0.00
High Density Residential (HDR) For-Rent	\$0.00	\$0.00
Affordable Medium Density Residential	\$0.00	\$400.00
Affordable High Density Residential [2]	\$0.00	\$0.00
<b>Nonresidential Uses [2]</b>	<i>per Taxable Acre</i>	
Mixed Use (MU) [2]	\$0.00	\$0.00
Business Professional (BP) [2]	\$0.00	\$0.00
Community Commercial (CC) [2]	\$0.00	\$0.00
<b>Undeveloped Property</b>	\$0.00	\$4,750.00

"att4"

- [1] This amount is subject to increase by the Tax Escalation Factor in each Fiscal Year following the Base Year as described in this RMA.
- [2] If a Low Density Residential, Medium Density Residential or Affordable Medium Density Residential Parcel with a Special Tax is rezoned to a use with an identified Special Tax of \$0 in this attachment, the Special Tax would be assigned to the Parcel using the provisions of Section 4 of this RMA.

PROPOSED BOUNDARY OF  
**THE VILLAGES AT SIERRA VISTA**  
 COMMUNITY FACILITIES DISTRICT NO. 1  
 (PUBLIC FACILITIES)  
 CITY OF ROSEVILLE, COUNTY OF PLACER, STATE OF CALIFORNIA  
 SCALE: 1" = 800' SHEET 1 OF 1



- LEGEND:**
- PROPOSED CFB BOUNDARY
  - AREAS OF FUTURE ANNEXATION

**CITY CLERK'S STATEMENT:**  
 FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF ROSEVILLE, COUNTY OF PLACER,  
 STATE OF CALIFORNIA THIS 21 DAY OF March, 2018.

*Sonia Orzoco*  
 SONIA ORZOCO, CITY CLERK  
 CITY OF ROSEVILLE  
 PLACER COUNTY, CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE  
 VILLAGES AT SIERRA VISTA COMMUNITY FACILITIES DISTRICT NO. 1 (PUBLIC FACILITIES), CITY  
 OF ROSEVILLE, COUNTY OF PLACER, STATE OF CALIFORNIA WAS APPROVED BY THE CITY  
 COUNCIL OF THE CITY OF ROSEVILLE, AT A REGULAR MEETING THEREOF HELD ON THE 21  
 DAY OF March, 2018, BY ITS RESOLUTION NUMBER 18-26.

*Sonia Orzoco*  
 SONIA ORZOCO, CITY CLERK  
 CITY OF ROSEVILLE  
 PLACER COUNTY, CALIFORNIA

**RECORDER'S STATEMENT:**  
 FILED THIS 26 DAY OF March, 2018, AT THE HOUR OF 11:14 O'CLOCK, A.M.  
 IN BOOK 3 OF MAPS OF COMMUNITY FACILITIES DISTRICT, AT PAGE 77  
 IN THE OFFICE OF THE RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA

DOC NO. 2018-0019977 RYAN RONCO  
 PLACER COUNTY RECORDER

FEE \$ 8.00 BY *[Signature]*  
 DEPUTY

MAP PREPARED BY: **BW** BAKER-WILLIAMS ENGINEERING GROUP MARCH, 2018  
 Engineering / Surveying / Land Planning / Easement Processing / GPS Services  
 6000 Rutland Drive, Suite 19 - Camanche, CA 95608  
 (916) 221-4238 - fax (916) 221-4430 - info@bweengineering.com

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**APPENDIX B**  
**THE APPRAISAL**

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**Integra Realty Resources**

**Sacramento**

**Appraisal of Real Property**

**City of Roseville Villages at Sierra Vista CFD No. 1 (Public Facilities)**

W/O Fiddymont Road, North and South of Vista Grande Blvd.

Roseville, Placer County, California 95747

**Prepared For:**

City of Roseville

**Effective Date of the Appraisal:**

May 1, 2019

**Report Format:**

Appraisal Report – Standard Format

**IRR - Sacramento**

File Number: 193-2019-0139





**City of Roseville Villages at Sierra Vista CFD No. 1 (Public Facilities)**  
W/O Fiddymont Road, North and South of Vista Grande Blvd.  
Roseville, California



June 14, 2019

Mr. Dennis Kauffman  
Chief Financial Officer  
City of Roseville  
311 Vernon St.  
Roseville, CA 95678

SUBJECT: Market Value Appraisal  
City of Roseville Villages at Sierra Vista CFD No. 1 (Public Facilities)  
W/O Fiddymment Road, North and South of Vista Grande Blvd.  
Roseville, Placer County, California 95747  
IRR - Sacramento File No. 193-2019-0139

Dear Mr. Kauffman:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, in bulk, of the fee simple interest certain developed and undeveloped properties within the boundaries of the City of Roseville Community Facilities District No. 1 (Villages at Sierra Vista). The client for the assignment is the City of Roseville, and the intended use is for bond underwriting purposes.

The Sierra Vista Specific Plan area encompasses approximately 2,064 gross acres within the western portion of the City of Roseville, west of Fiddymment Road, north of Baseline Road. The specific plan will include approximately 8,679 dwelling units (single and multi-family) at build out. Specifically, the subject represents Phase 1 and 2 of Villages at Sierra Vista CFD, which encompasses 73.60 acres and is planned for 395 single family detached lots in four neighborhoods (or “villages”) with typical lot sizes ranging from 3,600 square feet to 8,300 square feet. As of the date of value, JM-2 (Phase 1), JM-3 (Phase 1), and JM-20 (Phase 1) are currently under construction with model homes. Production home permits for the three villages were pulled in April 2019 with production house construction commencing in approximately June and July 2019. JM-4 (Phases 1 and 2) were mass graded in 2018 with intract construction scheduled to begin in May 2019, with an expected pave date in

Mr. Dennis Kauffman  
 City of Roseville  
 June 14, 2019  
 Page 2

October. Model home permits for Phase 1 will be pulled in January 2020 and production house permits are expected to be pulled in March 2020.

A break down and status of the project is shown as follows:

Entitlements					
Village/ Parcel	Typical Lot Size	Phase 1 Lots	Phase 2 Lots	Entitlement Status	Development Status
JM-2	4,500	92		Final map	In-tracts substantially complete, sidewalks being finished in May 2019; model completion on schedule for early June, first release is anticipated in mid-May
JM-3	8,300	83		Final map Gated project	In-tracts substantially complete, sidewalks being finished in May 2019; model units under construction, grand opening scheduled June 8th.
JM-4	5,775	92	40	Tentative map	Final map expected to record in September/October 2019; Mass graded, in-tracts to begin in May, paving expected in 3Q 2019
JM-20	3,600	88		Final map	In-tracts are approximately 75% complete, paving expected in May 2019; model construction underway with production home construction anticipated to commence mid-July
<b>Total</b>		<b>395</b>			

We have been requested to provide a market value, in bulk, of the properties, as of the date of value, which accounts for the impact of the Lien of the Special Tax securing the City of Roseville CFD No. 1 (Villages at Sierra Vista) Bonds.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004). This document is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2018-2019 edition of USPAP.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:



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**Value Conclusion**

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Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value, in Bulk	Fee Simple	May 1, 2019	\$48,015,000

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds are available to reimburse for certain infrastructure improvements completed. The estimate of market value account for the impact of the Lien of the Special Taxes securing the Bonds.

---

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - SACRAMENTO**



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567  
Telephone: 916-435-3883, ext. 224  
Email: kziegenmeyer@irr.com



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558  
Telephone: 916-435-3883, ext. 228  
Email: esegal@irr.com



Kari Tatton  
Certified General Real Estate Appraiser  
California Certificate # 3002218  
Telephone: 916-435-3883, ext. 229  
Email: ktatton@irr.com

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# Summary of Salient Facts and Conclusions

Property Name	City of Roseville Villages at Sierra Vista CFD No. 1 (Public
Address	W/O Fiddymont Road, North and South of Vista Grande Roseville, Placer County, California 95747
Property Type	Land - Residential Subdivision
Owner of Record	John Mourier Construction, Inc.
Tax ID	498-030-001 thru -044; 498-040-001 thru -053; 498-050-001 thru -054; 498-060-001 thru -031; 498-070-001 thru -089; 498-010-042 & -043
Land Area	73.60 acres; 3,206,016 SF
Zoning Designation	RS/DS, Small Lot Residential/Development Standard Overlay
Highest and Best Use	Single-family residential
Highest and Best Use - As Improved	Completion of any remaining site work and single-family home construction
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	May 1, 2019
Date of the Report	June 14, 2019
Property Interest Appraised	Fee Simple

## Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value, in Bulk	Fee Simple	May 1, 2019	\$48,015,000

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Roseville and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

## Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

### 1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds are available to reimburse for certain infrastructure improvements completed. The estimate of market value account for the impact of the Lien of the Special Taxes securing the Bonds.

## General Information

### Identification of Subject

The Sierra Vista Specific Plan area encompasses approximately 2,064 gross acres within the western portion of the City of Roseville, west of Fiddymont Road, north of Baseline Road. The specific plan will include approximately 8,679 dwelling units (single and multi-family) at build out. Specifically, the subject represents Phase 1 and 2 of Villages at Sierra Vista CFD, which encompasses 73.60 acres and is planned for 395 single family detached lots in four neighborhoods (or “villages”) with typical lot sizes ranging from 3,600 square feet to 8,300 square feet. As of the date of value, JM-2 (Phase 1), JM-3 (Phase 1), and JM-20 (Phase 1) are currently under construction with model homes. Production home permits for the three villages were pulled in April 2019 with production house construction commencing in approximately June and July 2019. JM-4 (Phases 1 and 2) were mass graded in 2018 with intract construction scheduled to begin in May 2019, with an expected pave date in October. Model home permits for Phase 1 will be pulled in January 2020 and production house permits are expected to be pulled in March 2020.

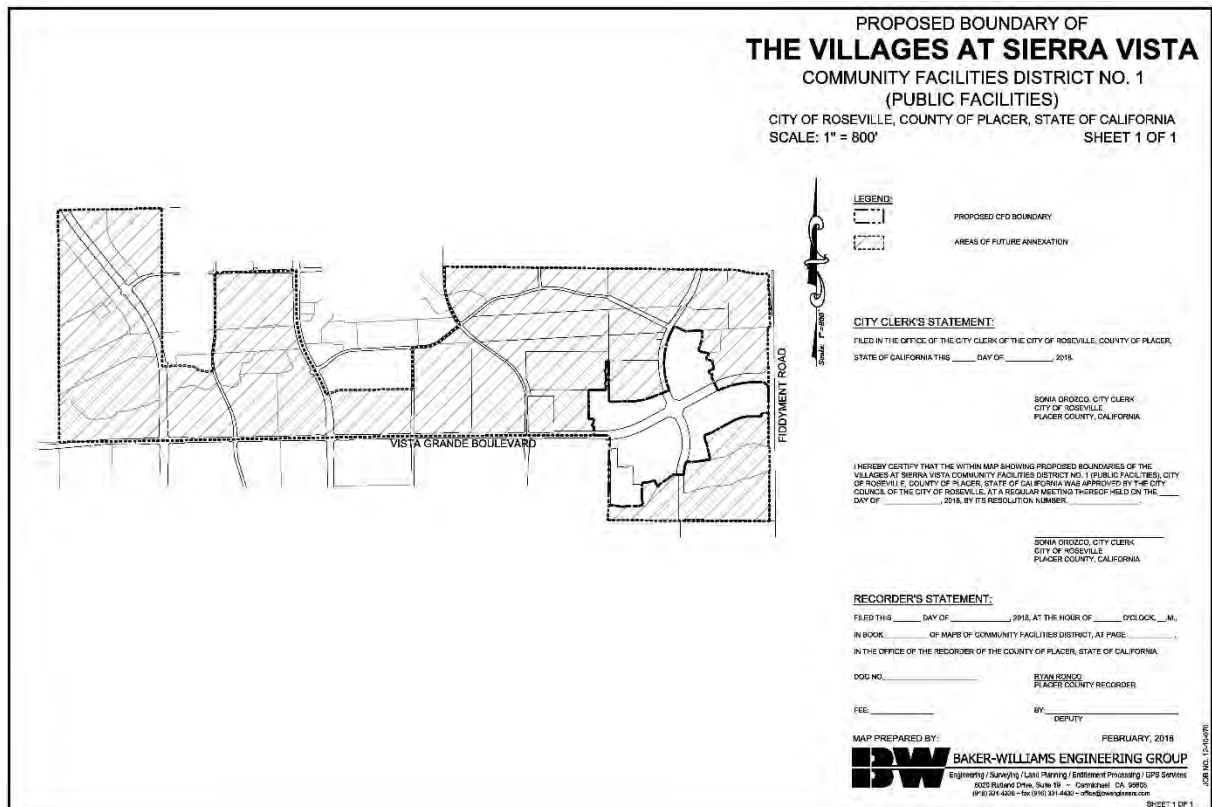
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### Property Identification

Property Name	City of Roseville Villages at Sierra Vista CFD No. 1 (Public Facilities)
Address	W/O Fiddymont Road, North and South of Vista Grande Blvd. Roseville, California 95747
Tax ID	498-030-001 thru -044; 498-040-001 thru -053; 498-050-001 thru -054; 498-060-001 thru -031; 498-070-001 thru -089; 498-010-042 & -043
Owner of Record	John Mourier Construction, Inc.

---

A map of the included boundaries is presented on the following page.



**Sale History**

To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

**Pending Transactions**

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

**Purpose of the Appraisal**

The purpose of the appraisal is to develop an opinion of the market value, in bulk, of the fee simple interest in the property as of the effective date of the appraisal, May 1, 2019. The date of the report is June 14, 2019. The appraisal is valid only as of the stated effective date or dates.

**Definition of Market Value**

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:



- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472))*

### **Definition of Property Rights Appraised**

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015))*

### **Intended Use and User**

The intended use of the appraisal is for bond underwriting purposes and will be included in the Preliminary Official Statement and the Official Statement used to market the bonds. The client is the City of Roseville. The intended users are the City of Roseville and its associated finance team as well as bond investors. The appraisal is not intended for any other use or user. No party or parties other than City of Roseville and its associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

### **Applicable Requirements**

This appraisal is intended to conform to the requirements of the following:

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

### Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

The valuation began by employing the sales comparison approach and Land residual analysis to estimate the market value of a benchmark lot category of the low density residential (LDR) lots. In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions, and a market value for this benchmark lot category was concluded. Then, as a support of reasonableness, a land residual analysis was utilized, which was reconciled with the sales comparison approach conclusion. For the subject's medium density lots, the extraction technique was used as the sole basis of valuation. Next, adjustments were applied to determine values for each residential larger parcel, based upon lot size differences that exist from the benchmark larger parcels.

The lot values indicated by each approach were then reconciled into an opinion of market value, subject to the hypothetical condition impact fees and infrastructure improvements to be financed by the City of Roseville CFD No. 1 (Villages at Sierra Vista) Bonds are in place. The market value as of the

date of value (May 1, 2019) was estimated by deducting the approximate remaining costs (both in-tract and infrastructure) as well as infrastructure fees to complete the lots to a finished condition.

### **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### **Inspection**

Eric Segal, MAI, and Kari Tatton conducted an on-site inspection on March 27, 2019. Kevin Ziegenmeyer, MAI, also conducted an on-site inspection of the property.

# Economic Analysis

## Area Analysis – Placer County

### Introduction

Placer County is part of the four-county Sacramento Metropolitan Area, along with the counties of Sacramento, Yolo and El Dorado. The county is located in the north-central part of California, approximately 420 miles north of Los Angeles, 250 miles south of Oregon, 100 miles northeast of San Francisco, 80 miles west of Lake Tahoe and 100 miles southwest of Reno. The southernmost part of Placer County consists of a valley commonly referred to as South Placer, while the remainder of the county is divided into the Gold Country, where parts of Auburn and Colfax are located, and the High Country, which encompasses Tahoe City and Kings Beach along Lake Tahoe. Placer’s largest cities are Roseville, Rocklin and Lincoln. Elevations in the county range from 165 feet above sea level in Roseville to 10,000 feet above sea level in the Sierra Nevada Mountains.

Placer County is developed with a mix of urban and rural uses. The larger cities, namely Roseville and Rocklin, are mostly urban, while the smaller communities, such as Loomis and Newcastle, have remained rural. Auburn and Lincoln both exhibit a combination of urban and rural settings. However, in recent years the city of Lincoln has experienced dramatic growth and development and has become one of the fastest-growing cities in California.

### Population

Placer County has experienced population growth in recent years, primarily in the southern part of the county. The main origin for in-migration to the region are the Bay Area, other parts of the Sacramento region and Southern California. The state’s population data indicate a strong pattern of movement by residents from the high-cost, high-density Bay Area to inland areas in Northern California.

Following is a table depicting the population change in Placer County and its component cities over the past few years.

<b>Population Trends</b>							
City	2013	2014	2015	2016	2017	2018	%/Yr
Auburn	13,897	14,145	14,280	14,387	14,507	14,611	1.0%
Colfax	2,069	2,083	2,112	2,131	2,147	2,150	0.8%
Lincoln	44,795	45,748	46,537	47,245	48,028	48,591	1.7%
Loomis	6,580	6,623	6,633	6,678	6,780	6,824	0.7%
Rocklin	59,436	59,999	60,614	61,765	64,487	66,830	2.5%
Roseville	125,970	128,048	129,299	132,167	134,650	137,213	1.8%
Unincorporated	109,558	110,462	110,912	111,245	112,574	113,313	0.7%
<b>Total</b>	<b>362,305</b>	<b>367,108</b>	<b>370,387</b>	<b>375,618</b>	<b>383,173</b>	<b>389,532</b>	<b>1.5%</b>

Source: California Department of Finance

As indicated in the previous table, Placer County has experienced a strong average rate of annual growth of 1.5% over the past five years. The cities of Roseville, Rocklin and Lincoln are the fastest

growing in the region. Loomis and the unincorporated areas have had relatively little growth. Over the past decade, Placer County has been the fastest-growing county within the four-county Sacramento MSA (which also includes Sacramento, El Dorado and Yolo Counties). It is projected this trend will continue for the near future.

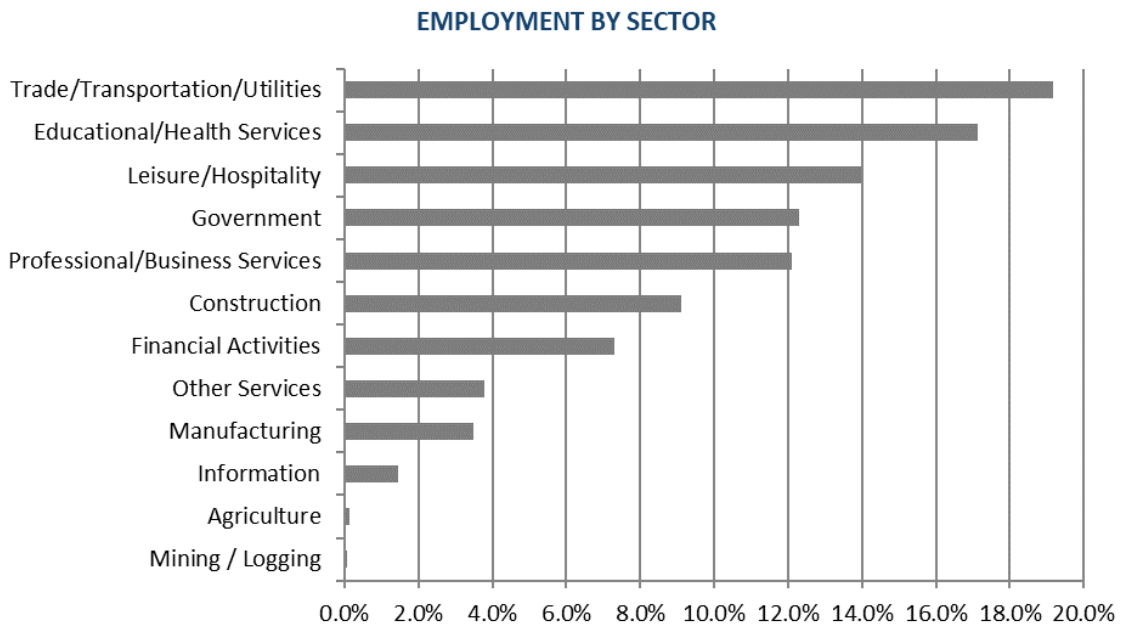
**Employment & Economy**

The California Employment Development Department has reported the following employment data for Placer County over the past several years.

<b>Employment Trends</b>						
	2013	2014	2015	2016	2017	2018
Labor Force	175,800	175,500	176,500	179,800	181,700	185,200
Employment	162,300	164,500	167,600	171,700	174,700	179,400
Job Growth	3,800	2,200	3,100	4,100	3,000	4,700
Unemployment Rate	7.7%	6.3%	5.0%	4.5%	3.9%	3.1%

Source: California Employment Development Department

Most areas within the state and nation, including Placer County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines during 2011-2018. Placer County has a diverse economy, with no one sector accounting for a majority of the employment in the region. The following chart indicates the percentage of total employment for each sector within the county.



Source: California Employment Development Department



The area’s largest employment sectors are Trade/Transportation/Utilities, which includes retail and wholesale trade (19.2% of total employment); Educational and Health Services (17.1%); and Leisure and Hospitality (14.0%).

Although many residents commute to employment centers in Sacramento, Placer County offers thousands of jobs and attracts workers from the local area as well as “reverse commuters” from Sacramento and residents of outlying areas such as Marysville/Yuba City to the north. The largest employers in the county, according to the Sacramento Business Journal, are highlighted as follows:

<b>Largest Employers</b>			
	Employer	Industry	Employees
1	Kaiser Permanente	Healthcare	5,835
2	Sutter Health	Healthcare	3,386
3	Squaw Valley Alpine Meadows	Leisure/Hospitality	2,600
4	Thunder Valley Casino Resort	Leisure/Hospitality	2,114
5	Hewlett Packard Enterprise Co.	Electronics/Technology Manufacturing	2,000
6	PRIDE Industries	Professional/Business Services	1,747
7	Roseville City School District	Education	1,486
8	City of Roseville	Government	1,148
9	Safeway	Grocery Store	1,137
10	Adventist Health	Healthcare	1,008

Source: Sacramento Business Journal, The List: Employers - Placer County, December 2018

## Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census Bureau estimates a median household income of \$80,488 for Placer County in the year 2017 (most recent data available), which was higher than the state of California’s median income of \$67,169.

## Transportation

Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the region. Major urban arterials in the southern part of the county include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard.

In addition to roadways within the county limits, south Placer County enjoys proximity to many of the Sacramento region’s freeways that provide access to the San Francisco Bay Area to the west, Central and Southern California to the south, Northern California and Oregon to the north, and Nevada to the east. Sacramento International Airport is situated about 10 miles west of the county border. The county is also home to a couple of small private airports. The region has good railroad service, including the transcontinental Union Pacific Railroad and Amtrak. The Capitol Corridor system

provides high-speed commuter rail service from Roseville to San Jose and Placer County Transit provides seven fixed routes servicing areas from Colfax down to Watt Avenue in Sacramento.

### **Recreation & Community Services**

Placer County has ample community services and recreational opportunities. The County, cities and various park districts operate numerous public parks, golf courses, aquatic centers, libraries and community centers. Many private golf courses are located in the region, and several ski resorts are located in the mountains. Within the county lies a portion of the Folsom Lake State Recreation Area, a boating, fishing, and swimming retreat.

In terms of higher education, Placer County is home to Sierra College in Rocklin, a two-year community college offering a wide range of day and evening classes serving over 25,000 students. Sierra College also has an extension campus located in the Vernon District in Roseville and two additional campuses – the Nevada County and Tahoe-Truckee campuses. In 2004, William Jessup University, a private Christian college, moved from San Jose to a new facility in Rocklin. Additional university campuses within the county include Brandman University, National University and University of Phoenix, all located in Roseville.

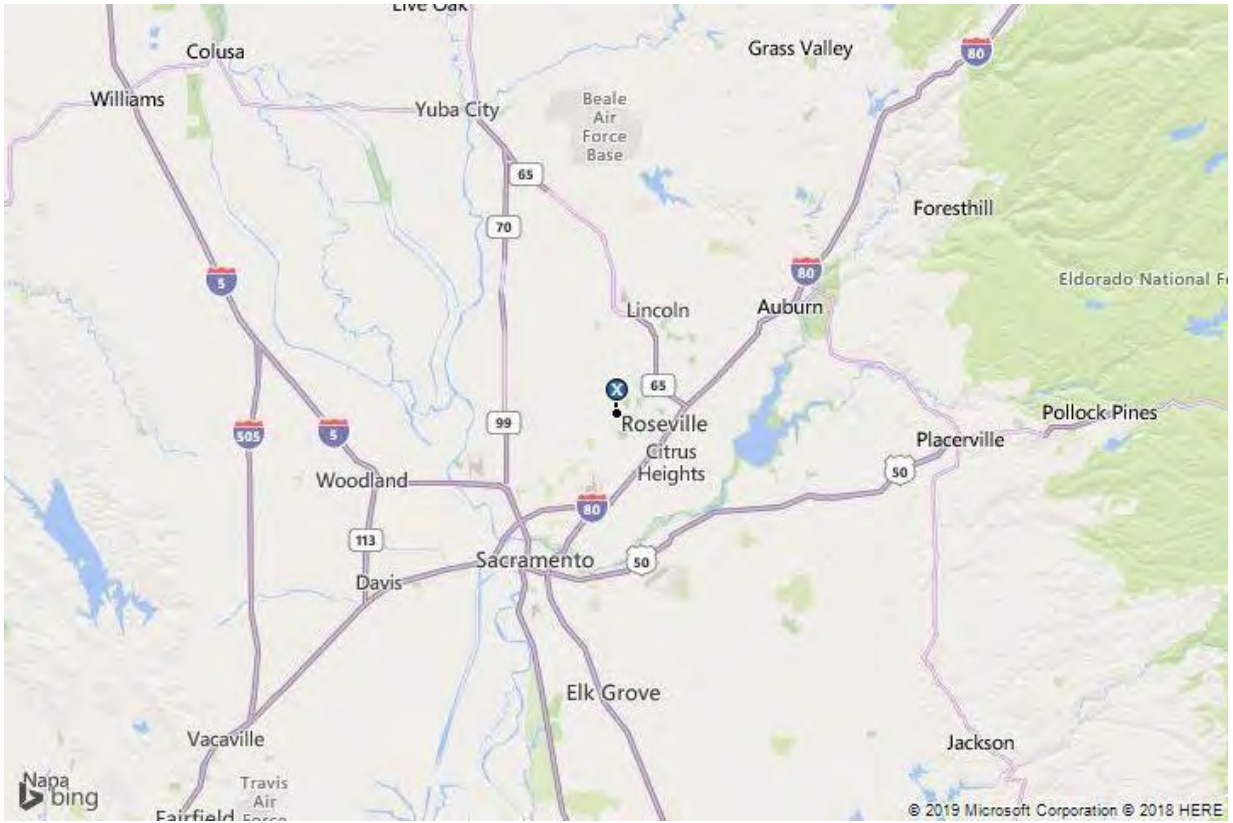
The region offers good health services, including hospitals and medical office facilities. Two hospitals are located in Roseville – the Sutter Roseville Medical Center and Kaiser Permanente. In addition to the hospital, construction is in progress for a new state-of-the-art, 210,000 square foot Kaiser Permanente medical campus to replace their existing campus on Riverside Avenue and is expected to open to patients in the Fall 2019. The city of Auburn is home to Sutter Auburn Faith Hospital, Sutter Medical Center-Auburn, UC Davis Medical Center, Foundation Medical Clinic and Heritage Medical Center Complex. The city of Lincoln contains medical offices/clinics operated by Sutter, UC Davis, Kaiser and Catholic Healthcare West. In addition to these institutional health care facilities, the county is home to a large and growing number of private physicians, dentists, clinics and other medical specialists.

The city of Roseville is south Placer's hub for fine dining and entertainment. Several upscale restaurants are situated along Eureka Road, Roseville Parkway and Galleria Boulevard. Roseville and Rocklin both offer two multi-screen movie theatres, and Auburn has one theatre. Shopping centers are widespread, the largest of which are the Galleria at Roseville, a regional shopping mall that opened in 2000 and was expanded in 2008-2009, and the Fountains at Roseville, an outdoor lifestyle center that opened in June 2008.

### **Conclusion**

Placer County encompasses a diverse area, with growing cities, small towns and rural areas, and an abundance of open space. The cities of Roseville, Rocklin and Lincoln have experienced strong growth in population and development over the past several years. Placer County is one of the most affluent in the greater Sacramento region in terms of household income levels. The area has a number of positive attributes, including seismic stability, a well-educated work force, good transportation systems, relative affordability and availability of housing compared to the Bay Area, and an excellent level of community services. The long-term outlook for the region is very good.

### Area Map



## Surrounding Area Analysis

### Location

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located in the western part of the city of Roseville within the Sierra Vista Specific Plan. The Plan Area is bounded on the north by Pleasant Grove Boulevard, Baseline Road to the south, the Roseville City limits to the west, and Fiddymont Road to the east. The larger neighborhood influencing the subject is considered to be approximately Blue Oaks Boulevard to the north, Woodcreek Oaks Boulevard to the east, Baseline Road to the south and the Roseville City limits to the west.

### Access and Linkages

The main thoroughfares in the neighborhood that provide access to the subject are Pleasant Grove Boulevard and Vista Grande Boulevard. In an easterly direction, Pleasant Grove Boulevard provides access to the additional areas in the city of Roseville as well as the city of Rocklin (when it becomes Park Drive); additionally, it provides access to Highway 65. To the east, Pleasant Grove boulevard also connects to Fiddymont Road, another thoroughfare that runs through West Roseville and continues south (when it becomes Walerga Road) to the communities of Antelope and North Highlands. In a northerly direction, Fiddymont Road connects to areas of unincorporated Placer County and the outskirts of the city of Lincoln (where it terminates at Moore Road). Vista Grande Boulevard is an east-west surface street that connects with Fiddymont Road to the east and currently terminates just west of the subject boundaries, and upon build out, will eventually continue on to allow access to the remainder of the Sierra Vista Specific Plan area.

Other primary connectors in the neighborhood are Fiddymont Road, Woodcreek Boulevard and Foothills Boulevard. Future connectors include Market Street (continued on from the north), Upland Drive, Federico Drive and Santucci Boulevard. Approximately 4 miles northeast of the subject is State Highway 65, a north-south route that provides access to Lincoln, Wheatland and Yuba City to the north and Interstate 80 to the south. Interstate 80 is a primary east-west corridor for the Sacramento Metropolitan Area that intersects with State Highway 65 to the east of the subject property. Traveling east, Interstate 80 provides access to the outlying portions of Placer County and continues toward Reno, Nevada. To the west, Interstate 80 connects south Placer County to Sacramento's Central Business District (via Business 80/Capital City Freeway) before continuing on toward Davis and San Francisco.

Roseville Transit provides public transportation for the area, which features fixed bus routes, commuter services and ride sharing minivans. Free transfers are also provided for the Placer County Transit and Sacramento Regional Transit.

## Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
	1-Mile Radius	3-Mile Radius	5-Mile Radius	95747 (Roseville, CA)	Placer County, CA
2019 Estimates					
Population 2010	6,341	61,952	177,558	52,281	348,432
Population 2019	8,195	72,959	199,752	65,115	391,827
Population 2024	8,707	77,048	209,876	69,441	413,200
Compound % Change 2010-2019	2.9%	1.8%	1.3%	2.5%	1.3%
Compound % Change 2019-2024	1.2%	1.1%	1.0%	1.3%	1.1%
Households 2010	2,401	21,871	61,774	19,057	132,627
Households 2019	3,084	25,548	69,230	23,611	150,308
Households 2024	3,278	26,937	72,667	25,167	158,984
Compound % Change 2010-2019	2.8%	1.7%	1.3%	2.4%	1.4%
Compound % Change 2019-2024	1.2%	1.1%	1.0%	1.3%	1.1%
Median Household Income 2019	\$109,480	\$99,242	\$78,431	\$111,763	\$92,577
Average Household Size	2.7	2.8	2.9	2.8	2.6
College Graduate %	40%	36%	28%	41%	38%
Median Age	39	39	37	40	43
Owner Occupied %	76%	76%	68%	78%	71%
Renter Occupied %	24%	24%	32%	22%	29%
Median Owner Occupied Housing Value	\$467,423	\$442,851	\$374,741	\$476,291	\$494,985
Median Year Structure Built	2005	1998	1993	2002	1993
Average Travel Time to Work in Minutes	31	31	30	30	29

Source: Environics Analytics

As shown above, the current population within a 3-mile radius of the subject is 72,959, and the average household size is 2.8. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to the subject's 95747 zip code overall, the population within a 3-mile radius is projected to grow at a slower rate.

Median household income is \$99,242, which is lower than the household income for the 95747 zip code. Residents within a 3-mile radius have a lower level of educational attainment than those of the 95747 zip code, while median owner occupied home values are lower.

## Land Use

A map of land uses in the vicinity of the subject is provided on the following page.



### Community Uses

There are several community uses in the neighborhood, such as schools, religious facilities, medical services, parks, and recreational and cultural amenities. The most prominent recreational facility in the neighborhood is Mahany Park, a regional park at the southwest quadrant of Woodcreek Oaks Boulevard and Pleasant Grove Boulevard. This facility offers a softball complex and the neighboring Roseville Aquatics Complex and Roseville Sports Center. There are several golf courses in the area, including the public Woodcreek Oaks Golf Club and Diamond Oaks Municipal Golf Course, as well as the private Sierra View Country Club and 27 holes in the Sun City Roseville development.

Woodcreek High School is located on the west line of Woodcreek Oaks Boulevard, south of Pleasant Grove Boulevard. The Placer County Fairgrounds is located at the intersection of Junction Boulevard and Washington Boulevard.

There are two main hospitals in Roseville, both of which are located in east Roseville, just south of Interstate 80 – Kaiser Permanente, located at the northeast corner of Rocky Ridge Drive and Douglas Boulevard, and Sutter Roseville Medical Center on Roseville Parkway.

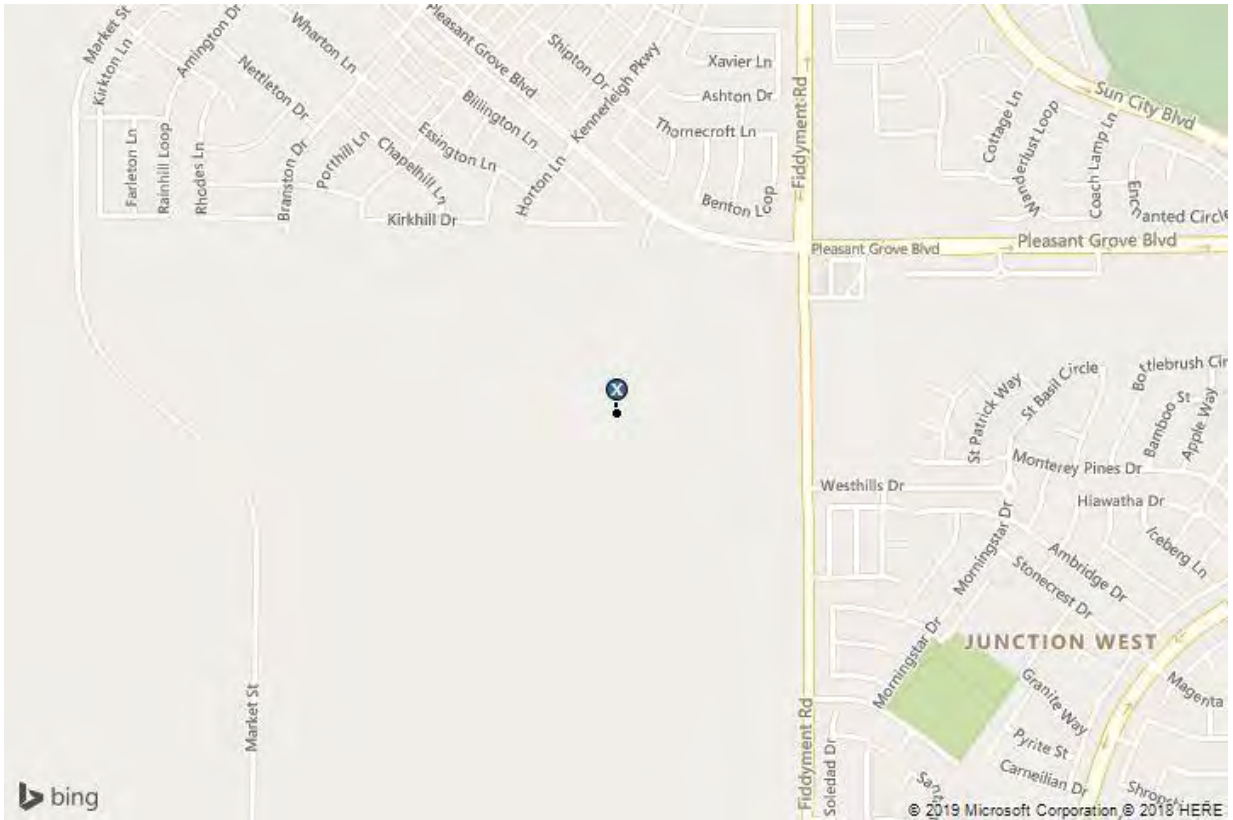
### Conclusion

In conclusion, the subject is located in an expanding suburban area that should continue to experience adequate demand for various urban property uses. While the subject is located on the edge of its neighborhood, and within an expanding area, overall the neighborhood will offer a balanced mix of land uses. The area has good access to neighborhood thoroughfares. Households in the area have

above-average income levels, and the community appeal is good. The characteristics of the neighborhood relative to other parts of the Sacramento region are desirable.



### Surrounding Area Map



## Residential Market Analysis

Given prevailing land use patterns and the subject's zoning, a likely use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

### Submarket Overview

The subject property is located within the Sierra Vista Specific Plan, in the city of Roseville, Placer County. The neighborhood is characterized as a growing suburban area. Based on existing surrounding homes and new projects under development, the subject characteristics best support projects designed for entry level to move-up buyers as well as empty nesters looking to downsize.

In this analysis of the housing market, we will analyze market trends within Placer County and, more specifically, the city of Roseville.

### Single-Family Building Permits

Single-family building permits for the city of Roseville as well as Placer County totals are shown in the following table.

Building Permits		
Year	City of Roseville	Placer County
2007	1,050	2,188
2008	676	1,393
2009	602	1,130
2010	635	1,087
2011	411	812
2012	663	1,189
2013	535	1,268
2014	645	1,636
2015	967	1,996
2016	862	2,107
2017	1,191	2,500
2018	808	1,884
2019 (Feb.)	144	262

Source: SOCDS Building Permits Database

As shown by the preceding chart, building permit activity in Placer County was at a high point 2007, followed by a dramatic decline during the recessionary period through 2011, when it resumed an upward climb since.

A generally similar pattern is observed for permit activity in the city of Roseville. Activity generally fell from 2007 into 2011, then increased into 2012, was generally stable/flat for a few years, and resumed an upward climb from 2013 into 2015, with a slight decline in 2016. Permit activity in 2017 surpassed

the previous high experienced in 2007. However, based on the permit numbers for both Roseville and Placer County, they do not look to outpace the numbers seen in 2017.

### New Home Pricing and Sales

The Gregory Group surveys active new home projects in California and Nevada. On the following page we present a table containing indicators for active single-family residential projects the subject's County for the past three years. The data include both attached and detached projects, but the vast majority of units are detached homes.

New Home Sales History								
Time Period	Average price	% Change Average Price	Average Home Size (SF)	Average Price/Avg SF	% Change Price/SF	Quarter Sold	Number of Projects	Sold Per Proj. Per Month
1Q 2015	\$466,467	--	2,597	\$179.62	--	396	46	2.87
2Q 2015	\$477,351	2.3%	2,656	\$179.73	0.1%	436	46	3.16
3Q 2015	\$479,019	0.3%	2,682	\$178.61	-0.6%	328	46	2.38
4Q 2015	\$485,446	1.3%	2,667	\$182.02	1.9%	343	44	2.60
1Q 2016	\$490,226	1.0%	2,675	\$183.26	0.7%	428	49	2.91
2Q 2016	\$500,866	2.2%	2,700	\$185.51	1.2%	462	53	2.91
3Q 2016	\$512,573	2.3%	2,735	\$187.41	1.0%	352	53	2.21
4Q 2016	\$519,126	1.3%	2,737	\$189.67	1.2%	401	55	2.43
1Q 2017	\$520,325	0.2%	2,698	\$192.86	1.7%	493	59	2.79
2Q 2017	\$526,062	1.1%	2,688	\$195.71	1.5%	700	59	3.95
3Q 2017	\$513,858	-2.3%	2,610	\$196.88	0.6%	341	55	2.07
4Q 2017	\$519,636	1.1%	2,606	\$199.40	1.3%	332	56	1.98
1Q 2018	\$517,797	-0.4%	2,538	\$204.02	2.3%	520	60	2.89
2Q 2018	\$533,097	3.0%	2,566	\$207.75	1.8%	535	57	3.13
3Q 2018	\$546,323	2.5%	2,568	\$212.74	2.4%	373	50	2.49
4Q 2018	\$552,195	1.1%	2,570	\$214.86	1.0%	248	47	1.76

As shown by the table, new home pricing in Placer County has generally been in an upward trend over the past three years, albeit with some fluctuations. The highest sale price (net of incentives) in the data set - \$552,195 - was observed in the most recent quarter. The average price per square foot over the last three years was at a low point in Third Quarter 2015 and has been on a gradual upward trend since then.

With regard to absorption of product, the range of the number of home sales per project per month over the last three years is 1.76 (Fourth Quarter 2018) to 3.95 (Second Quarter 2017), with no particular noticeable pattern in the data set. Over the past year, absorption rates have ranged from 1.76 to 2.89 sales per month, with most of the data lying toward the middle of this range, and the average absorption over the past year has been 2.57 sales per month, or approximately 7.70 sales per quarter.

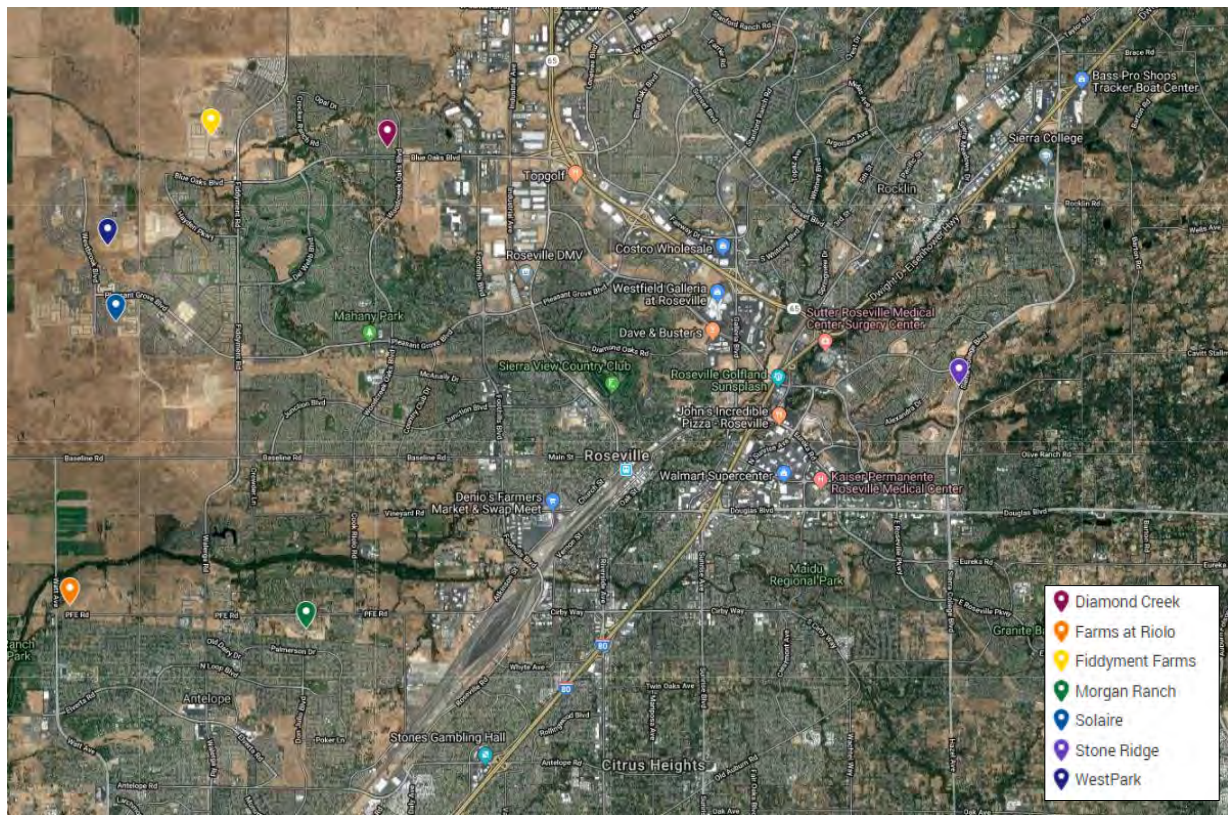
### Active New Home Projects Pricing and Absorption

According to the Gregory Group, there are currently 27 active projects in Roseville, all of which are detached product. The projects are summarized in the following table as of Fourth Quarter 2018.

Active Projects											
Project	Master Plan	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF	Typical Lot Size	Units Planned	Units Offered	Units Sold	Units Unsold
Aspire	WestPark	Roseville	K. Hovnanian Homes	\$436,907	2,037	\$214	3,825	56	18	13	5
Blume	Solaire	Roseville	Taylor Morrison Homes	\$479,657	2,314	\$207	5,000	73	46	37	9
Bromley	Solaire	Roseville	Woodside Homes	\$542,200	2,764	\$196	6,000	86	86	83	3
Carrington	WestPark	Roseville	Lennar Homes	\$552,740	2,673	\$207	5,775	150	145	144	1
Farms at Riolo Mariposa	--	Roseville	Homes by Towne	\$466,000	2,449	\$190	7,000	107	27	16	11
Heritage Eclipse*	Solaire	Roseville	Lennar Homes	\$573,990	2,648	\$217	6,000	86	41	27	14
Heritage Larissa*	Solaire	Roseville	Lennar Homes	\$507,490	2,111	\$240	5,000	75	44	28	16
Heritage Meridian*	Solaire	Roseville	Lennar Homes	\$429,740	1,546	\$278	4,500	92	40	30	10
Hillingdon	Solaire	Roseville	Woodside Homes	\$481,990	2,551	\$189	5,250	71	71	69	2
La Maison	Diamond Creek	Roseville	Lennar Homes	\$423,990	1,893	\$224	2,700	81	81	81	0
Legato	WestPark	Roseville	KB Home	\$589,929	3,631	\$162	7,150	147	139	134	5
Manchester	Solaire	Roseville	D.R. Horton	\$434,190	2,206	\$197	4,500	134	116	107	9
Montecito Walk	WestPark	Roseville	Lennar Homes	\$407,740	1,583	\$258	2,400	122	110	96	14
Morgan Ranch	--	Roseville	Homes by Towne	\$535,500	2,876	\$186	10,000	62	50	43	7
Northwood	Fiddymnt Farm	Roseville	JMC Homes	\$409,990	1,360	\$301	6,300	74	58	50	8
Oakbriar	Fiddymnt Farm	Roseville	Signature Homes	\$451,000	1,832	\$246	3,000	96	96	92	4
Summerwood	Fiddymnt Farm	Roseville	JMC Homes	\$477,490	1,811	\$264	6,050	85	80	80	0
Terra Vista	Stone Ridge	Roseville	Elliot Homes	\$713,450	2,965	\$241	6,175	100	100	92	8
The Summit	WestPark	Roseville	Meritage Homes	\$561,807	2,954	\$190	6,600	56	47	39	8
The Vineyard	--	Roseville	JMC Homes	\$446,990	1,851	\$241	3,150	139	139	139	0
Treo	Solaire	Roseville	Taylor Morrison Homes	\$522,740	2,695	\$194	6,000	72	50	37	13
Valleybrook	Fiddymnt Farm	Roseville	JMC Homes	\$727,490	3,592	\$203	8,500	70	15	10	5
Veranda	Stone Ridge	Roseville	Elliot Homes	\$373,490	1,652	\$226	3,000	150	50	50	0
Wexford	Solaire	Roseville	D.R. Horton	\$439,323	2,247	\$196	5,500	103	100	100	0
Wildwood	Fiddymnt Farm	Roseville	JMC Homes	\$602,990	2,716	\$222	6,600	86	63	57	6
Woodbridge	Fiddymnt Farm	Roseville	Signature Homes	\$538,150	2,648	\$203	5,500	116	36	28	8
			Minimum	\$373,490	1,360	\$162	2,400				
			Maximum	\$727,490	3,631	\$301	10,000				
			Average	\$504,884	2,369	\$219	5,441				

\*Age Restricted Project  
Source: The Gregory Group

The locations of the master planned communities are shown on the following map. Note that Morgan Ranch and The Vineyard are not located within master planned communities.



### Active Projects – West Roseville

Directly competing areas to the subject would include all communities within West Roseville, including: Fiddymment Farm, Solaire and WestPark.

Absorption												
Project	Master Plan	Builder	Avg. Home Price	Avg. Home Size	Lot Size (SF)	4Q 2018	3Q 2018	2Q 2018	1Q 2018	12-Month	Average Per	Average Per
			(4Q 18 Only)	(4Q 18 Only)						Total	Quarter	Month
Aspire	WestPark	K. Hovnanian	\$436,907	2,037	3,825	13	--	--	--	13	13.0	4.3
Blume	Solaire	Taylor Morrison Homes	\$479,657	2,314	5,000	7	11	12	7	37	9.3	3.1
Bromley	Solaire	Woodside Homes	\$542,200	2,764	6,000	5	9	4	14	32	8.0	2.7
Carrington	WestPark	Lennar Homes	\$552,740	2,673	5,775	2	12	20	9	43	10.8	3.6
Heritage Eclipse	Solaire	Lennar Homes	\$573,990	2,648	6,000	11	8	8	0	27	6.8	2.3
Heritage Larissa	Solaire	Lennar Homes	\$507,490	2,111	5,000	10	6	12	0	28	7.0	2.3
Heritage Meridian	Solaire	Lennar Homes	\$429,470	1,546	4,500	10	8	12	0	30	7.5	2.5
Hillingdon	Solaire	Woodside Homes	\$481,990	2,551	5,250	1	0	8	16	25	6.3	2.1
Legato	WestPark	KB Home	\$589,929	3,631	7,150	2	7	20	10	39	9.8	3.3
Manchester	Solaire	D.R. Horton	\$434,190	2,206	4,500	0	3	29	19	51	12.8	4.3
Montecito Walk	WestPark	Lennar Homes	\$407,990	1,583	2,400	8	18	4	15	45	11.3	3.8
Northwood	Fiddymment Farm	JMC Homes	\$409,990	1,360	6,300	1	12	9	6	28	7.0	2.3
Oakbriar	Fiddymment Farm	Signature Homes	\$451,000	1,832	3,000	2	3	10	5	20	5.0	1.7
Summerwood	Fiddymment Farm	JMC Homes	\$477,490	1,811	6,050	4	6	0	7	17	4.3	1.4
The Summit	Solaire	Meritage Homes	\$561,807	2,954	6,600	5	13	9	6	33	8.3	2.8
Treo	Solaire	Taylor Morrison Homes	\$522,740	2,695	6,000	7	10	14	6	37	9.3	3.1
Valleybrook	Fiddymment Farm	JMC Homes	\$727,490	3,592	8,500	10	--	--	--			
Wexford	Solaire	D.R. Horton	\$439,323	2,247	5,500	10	23	16	21	70	17.5	5.8
Wildwood	Fiddymment Farm	JMC Homes	\$602,990	2,716	6,600	11	3	7	6	27	6.8	2.3
Woodbridge	Fiddymment Farm	Signature Homes	\$538,150	2,648	5,500	1	7	7	10	25	6.3	2.1
Total						107	159	201	114			
No. of Active Projects						19	18	18	14			
Quarterly Pro-Rata						5.6	8.8	11.2	8.1			
Monthly Pro-Rata						1.9	2.9	3.7	2.7			
									2.8	Average Monthly Pro-Rata		

Source:

### Resale Pricing

The following table shows historical resale data for more recently built homes (2012 and newer) in West Roseville. We restricted our search to lot sizes with less than 10,000 square feet.

Resales									
Address	Sale Date	Living Area		Sale Price			Year Built	Days on Market	Lot Size
		(SF)	Sale Price	Last List Price	/SF	Sale/List			
1221 Vista Verde Dr	4/4/2019	3,141	\$580,000	\$599,900	\$185	96.7%	2016	2	6,817
7024 Sandwich Pl	4/3/2019	2,535	\$539,900	\$529,900	\$213	101.9%	2016	5	7,079
2224 Hightrail Way	4/2/2019	2,278	\$489,000	\$494,000	\$215	99.0%	2013	66	6,155
3016 Ivy Creek Ln	3/29/2019	1,845	\$437,000	\$439,000	\$237	99.5%	2017	11	2,801
3080 Verwood Pl	3/29/2019	1,963	\$405,000	\$408,000	\$206	99.3%	2016	5	2,544
1009 Essington Ln	3/28/2019	1,892	\$415,000	\$418,000	\$219	99.3%	2017	13	2,879
1892 Camino Real Way	3/25/2019	1,985	\$410,000	\$400,000	\$207	102.5%	2014	6	2,461
116 Bright Eyes Ct	3/25/2019	1,884	\$459,900	\$459,900	\$244	100.0%	2012	2	3,559
5097 Maestro Way	3/22/2019	3,600	\$580,000	\$579,000	\$161	100.2%	2016	122	6,159
4080 Payson Ave	3/20/2019	2,551	\$545,000	\$549,999	\$214	99.1%	2015	54	5,606
109 Vignolia Ct	3/20/2019	2,427	\$560,000	\$550,000	\$231	101.8%	2013	2	6,111
1168 Makeway St	3/18/2019	1,486	\$468,000	\$465,000	\$315	100.6%	2017	9	6,116
2041 Avignon Ln	3/17/2019	1,163	\$359,750	\$362,000	\$309	99.4%	2015	153	3,332
9209 Rioja St	3/16/2019	1,284	\$399,997	\$399,997	\$312	100.0%	2016	45	3,376
3358 Kennerleigh Pkwy	3/15/2019	1,329	\$395,000	\$399,900	\$297	98.8%	2013	116	4,718
400 Dormarin Pl	3/15/2019	2,282	\$445,000	\$445,000	\$195	100.0%	2014	6	5,227
1936 Della Verona Dr	3/14/2019	2,011	\$474,900	\$474,900	\$236	100.0%	2012	107	3,990
817 Macon Pl	3/14/2019	2,195	\$419,000	\$419,000	\$191	100.0%	2013	8	2,526
1584 Marseille Ln	3/12/2019	1,373	\$415,000	\$425,000	\$302	97.6%	2013	2	4,927
2329 Big Creek Way	3/11/2019	2,921	\$560,000	\$569,000	\$192	98.4%	2013	42	6,421
3185 Lamar Way	3/11/2019	2,639	\$529,000	\$529,000	\$200	100.0%	2016	11	6,231
2088 Appersett Loop	3/11/2019	1,645	\$435,000	\$429,900	\$264	101.2%	2013	2	5,706
5113 Glenwood Springs Way	3/8/2019	2,639	\$527,000	\$550,000	\$200	95.8%	2017	79	6,342
2012 Camino Real Way	3/8/2019	2,712	\$461,000	\$460,000	\$170	100.2%	2014	10	2,326
1489 Marseille Ln	3/7/2019	1,577	\$405,000	\$410,000	\$257	98.8%	2013	21	4,012
1041 Provence Village Dr	3/5/2019	2,013	\$445,000	\$459,502	\$221	96.8%	2017	46	2,560
1033 Provence Village Dr	3/4/2019	2,185	\$470,000	\$479,273	\$215	98.1%	2017	52	2,560
2001 Mannington Pl	3/1/2019	1,963	\$424,990	\$424,990	\$217	100.0%	2016	25	3,071
9608 Trentino Ct	3/1/2019	2,263	\$470,000	\$475,000	\$208	98.9%	2014	4	4,151
1184 Rothbury Ln	2/28/2019	1,318	\$380,000	\$389,000	\$288	97.7%	2015	9	3,193
4032 Morrison Way	2/27/2019	2,323	\$560,000	\$565,000	\$241	99.1%	2017	67	7,128
3328 Radiant Way	2/27/2019	2,277	\$480,000	\$484,185	\$211	99.1%	2017	8	6,429
3032 Southington Way	2/19/2019	2,119	\$499,000	\$509,000	\$235	98.0%	2017	78	6,085
5073 Prairie Grass Way	2/13/2019	2,265	\$549,000	\$559,900	\$242	98.1%	2015	16	6,686
1866 Verrazona Dr	2/13/2019	1,486	\$429,990	\$429,990	\$289	100.0%	2015	11	4,160
5088 Wood Way	2/11/2019	2,323	\$537,500	\$535,000	\$231	100.5%	2015	56	6,678
3336 Radiant Way	2/6/2019	2,317	\$493,695	\$489,500	\$213	100.9%	2017	34	6,281
5056 Glenwood Springs Way	2/6/2019	2,744	\$560,000	\$575,000	\$204	97.4%	2016	22	5,902
1828 Camino Real Way	2/5/2019	1,811	\$385,000	\$385,000	\$213	100.0%	2014	29	2,378
3041 Haywood Pl	2/5/2019	1,684	\$422,500	\$425,000	\$251	99.4%	2012	10	6,059
7040 Edgartown St	2/1/2019	2,476	\$525,000	\$525,000	\$212	100.0%	2016	112	7,728
9008 Havering Dr	2/1/2019	2,464	\$505,000	\$538,900	\$205	93.7%	2017	36	5,297
1032 Rothbury Ln	1/25/2019	1,505	\$380,000	\$389,000	\$252	97.7%	2015	85	2,788
2296 Ellesmere Loop	1/18/2019	1,626	\$400,000	\$400,000	\$246	100.0%	2013	41	3,729
308 Chandler Ct	1/18/2019	2,551	\$554,000	\$554,000	\$217	100.0%	2015	57	6,547
4157 Shorthorn Way	1/18/2019	2,570	\$559,900	\$559,999	\$218	100.0%	2014	8	4,957
1264 Volonne Dr	1/17/2019	1,645	\$429,500	\$434,900	\$261	98.8%	2016	67	4,395
1804 Camino Real Way	1/14/2019	1,985	\$395,000	\$399,999	\$199	98.8%	2014	60	2,483
3081 Southington Way	1/8/2019	2,119	\$490,000	\$498,900	\$231	98.2%	2017	26	6,721
1489 Marseille Lane	1/3/2019	1,577	\$397,000	\$399,000	\$252	99.5%	2013	55	4,012
<b>Total Sales</b>	<b>50</b>	<b>2,099</b>	<b>\$469,130</b>	<b>\$473,029</b>	<b>\$231</b>	<b>99.2%</b>	<b>2015</b>	<b>38</b>	<b>4,788</b>
		(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)	(avg.)

As shown by the data, MLS reports that there have been 50 re-sales in West Roseville since January 1, 2019. Most homes have closed at or near the asking price (some above asking), and the time on the market has averaged slightly over a month. These statistics point to a generally healthy re-sale market.

### Ability to Pay

The Developer plans to construct four different product lines ranging in size from 1,343 (JM-2) to 3,004 (JM-3) In this section, we will examine the ability to pay among prospective buyers for both representative price points. First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rates of 4.50%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). As alluded to above, property tax payments are accounted for in the analysis. Ad valorem taxes are 1.24120% of assessed value.

The most significant direct levy payments are related to the proposed CFD bond: Villages at Sierra Vista CFD No. 1. Annual special tax levy rates for a typical lot in CFD No. 1 (as of the 2018/19 tax year) will be \$1,800 per home/year (or \$150 per home/month) for LDR lots and \$1,600 per home/year (or \$133 per home/month) for MDR lots. Additional special taxes associated with CFD No. 2 (typical monthly payment of \$27) and CFD No. 3 (typical monthly payment of \$36 to \$21) are also considered. Please note, we have not taken into account the yearly escalator.

The following tables show the estimate of the annual household income that would be required to afford homes priced between \$385,000 and \$700,000 based on the average sized/price home within JM-2 and JM-3:

<b>Income Required</b>	
Home Price	\$385,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$308,000
Interest Rate	4.50%
Mortgage Payment	\$1,561
Ad Valorem Taxes	\$398
Bond Payments	
CFD No. 1	\$133
CFD No. 2	\$27
CFD No. 3	\$21
Property Insurance	\$80
Total Monthly Obligation	\$2,220
Mortgage Payment % of Income	40%
Monthly Income	\$5,551
Annual Income	\$66,611

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**Income Required**


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Home Price	\$700,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$560,000
Interest Rate	4.50%
Mortgage Payment	\$2,837
Ad Valorem Taxes	\$724
Bond Payments	
CFD No. 1	\$150
CFD No. 2	\$27
CFD No. 3	\$36
Property Insurance	\$146
Total Monthly Obligation	\$3,920
Mortgage Payment % of Income	40%
Monthly Income	\$9,801
Annual Income	\$117,609

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We have obtained income data from Environics Analytics, for a 15-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket.

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**Household Ability (\$385,000 home)**


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Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	41,268	8.9%	0.0%	0	0.0%
\$15,000 - \$24,999	35,155	7.6%	0.0%	0	0.0%
\$25,000 - \$34,999	35,339	7.7%	0.0%	0	0.0%
\$35,000 - \$49,999	52,196	11.3%	0.0%	0	0.0%
\$50,000 - \$74,999	76,744	16.6%	33.6%	25,752	5.6%
\$75,000 - \$99,999	57,130	12.4%	100.0%	57,130	12.4%
\$100,000 - \$149,999	79,371	17.2%	100.0%	79,371	17.2%
\$150,000 - \$199,999	36,881	8.0%	100.0%	36,881	8.0%
\$200,000 +	<u>47,837</u>	<u>10.4%</u>	100.0%	<u>47,837</u>	<u>10.4%</u>
	461,921	100.0%		246,971	53.5%

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<b>Household Ability (\$700,000 home)</b>					
<b>Household Income</b>	<b>Households</b>	<b>Percent of Households</b>	<b>Percent Able to Pay</b>	<b>Households</b>	<b>Households Able to Pay</b>
< \$15,000	41,268	8.9%	0.0%	0	0.0%
\$15,000 - \$24,999	35,155	7.6%	0.0%	0	0.0%
\$25,000 - \$34,999	35,339	7.7%	0.0%	0	0.0%
\$35,000 - \$49,999	52,196	11.3%	0.0%	0	0.0%
\$50,000 - \$74,999	76,744	16.6%	0.0%	0	0.0%
\$75,000 - \$99,999	57,130	12.4%	0.0%	0	0.0%
\$100,000 - \$149,999	79,371	17.2%	64.8%	51,417	11.1%
\$150,000 - \$199,999	36,881	8.0%	100.0%	36,881	8.0%
\$200,000 +	<u>47,837</u>	<u>10.4%</u>	100.0%	<u>47,837</u>	<u>10.4%</u>
	461,921	100.0%		136,135	29.5%

The U.S. Congress enacted a new law on December 22, 2017, known as the “Tax Cuts and Jobs Act”. The Tax Act makes significant changes to many aspects of the Tax Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within California and could adversely affect the sale of homes in the State. However, at this time there is neither a consensus nor a central prediction regarding the effect that the Tax Act may have on the cost of home ownership or the price of homes in the State. Based on input from regional and national homebuilders, they are not adjusting either pricing or sales pace projections due to the Tax Act. So far, studies have shown that there has been no effect of the legislation in terms of prices, home sales and inventory on the housing market. This analysis was completed without projections of either an enhancement or a diminution to the price of homes in the State.

## Conclusions

We have summarized some of the key points from this section as follows:

- Building permit activity for single-family residences in Roseville reached a peak about 10 years ago, then fell precipitously during the recessionary period, but has been increasing in more recent years and has surpassed the previous high point in 2017.
- New home pricing in Roseville has been in a general increasing pattern over the last four years, albeit with a few quarterly dips. The most recent period indicates the highest new home pricing observed over the last four years.
- According to the Gregory Group, there are currently 27 active new home projects in Roseville. This is among the highest levels of active projects observed since the past expansionary period.
- Absorption rates within new home projects in West Roseville have ranged from 1.9 to 3.7 sales per month over the past year, with an average of 2.8 sales per month.
- Re-sale homes in West Roseville are transferring at or near the asking price, and the exposure period has averaged slightly over a month, both indicators of a healthy market.
- Overall, demand for new homes in the subject’s market area remains strong.

## Property Analysis

### Land Description and Analysis

<b>Land Description</b>	
Land Area	73.60 acres; 3,206,016 SF
Source of Land Area	Public Records
Primary Street Frontage	Vista Grande
Shape	Irregular
Corner	Yes
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	None reported or observed
Ground Stability	No problems reported or observed
Flood Area Panel Number	060243
Date	November 2, 2018
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No
<b>Zoning; Other Regulations</b>	
Zoning Jurisdiction	City of Roseville
Zoning Designation	RS/DS
Description	Small Lot Residential/Development Standard Overlay
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Low density/medium density residential units
Other Land Use Regulations	None reported or observed
<b>Utilities</b>	
Service	Provider
Water	City of Roseville
Sewer	City of Roseville
Electricity	Roseville Electric
Natural Gas	PG&E
Local Phone	Comcast, AT&T, CCI

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance with zoning is required.

### Entitlements

A summary of the current legal (entitlements) and physical status of the appraised properties is shown in the following table.

Entitlements					
Village/ Parcel	Typical Lot Size	Phase 1 Lots	Phase 2 Lots	Entitlement Status	Development Status
JM-2	4,500	92		Final map	In-tracts substantially complete, sidewalks being finished in May 2019; model completion on schedule for early June, first release is anticipated in mid-May
JM-3	8,300	83		Final map Gated project	In-tracts substantially complete, sidewalks being finished in May 2019; model units under construction, grand opening scheduled June 8th.
JM-4	5,775	92	40	Tentative map	Final map expected to record in September/October 2019; Mass graded, in-tracts to begin in May, paving expected in 3Q 2019
JM-20	3,600	88		Final map	In-tracts are approximately 75% complete, paving expected in May 2019; model construction underway with production home construction anticipated to commence mid-July
<b>Total</b>		<b>395</b>			

## Mitigation

According to the master developer, all environmental mitigation requirements have been met for the project.

## Offsite Improvements

As of the date of value, all of the off-site improvements (streets, curbs, gutters, sidewalks, streetlights) were in place along Vista Grande Boulevard and Upland Drive (with the exception of landscape and sound walls). As the interior access roads are completed, these off-site improvements will be required as part of the site work.

## Backbone Infrastructure

All backbone infrastructure, excluding landscaping and barrier walls have been complete as of the date of value. Anticipated bond proceeds (estimated at \$10.2 mm) from this sale will be used to reimburse JMC for infrastructure costs already completed.

## In-Tract Development Costs

According to the provided budgets, in-tract costs were reported at \$44,978 to \$54,382 per lot for the LDR category lots and \$40,773 per MDR lot. Each village is in varying stages of completeness and remaining in-tract costs differ.

## Permits and Fees

According to information provided, net permits and fees due at building permit average \$58,452 per LDR lot and \$50,178 per MDR lot, which will be used in our analysis. These estimates account for deferred fees.

## Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

### Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

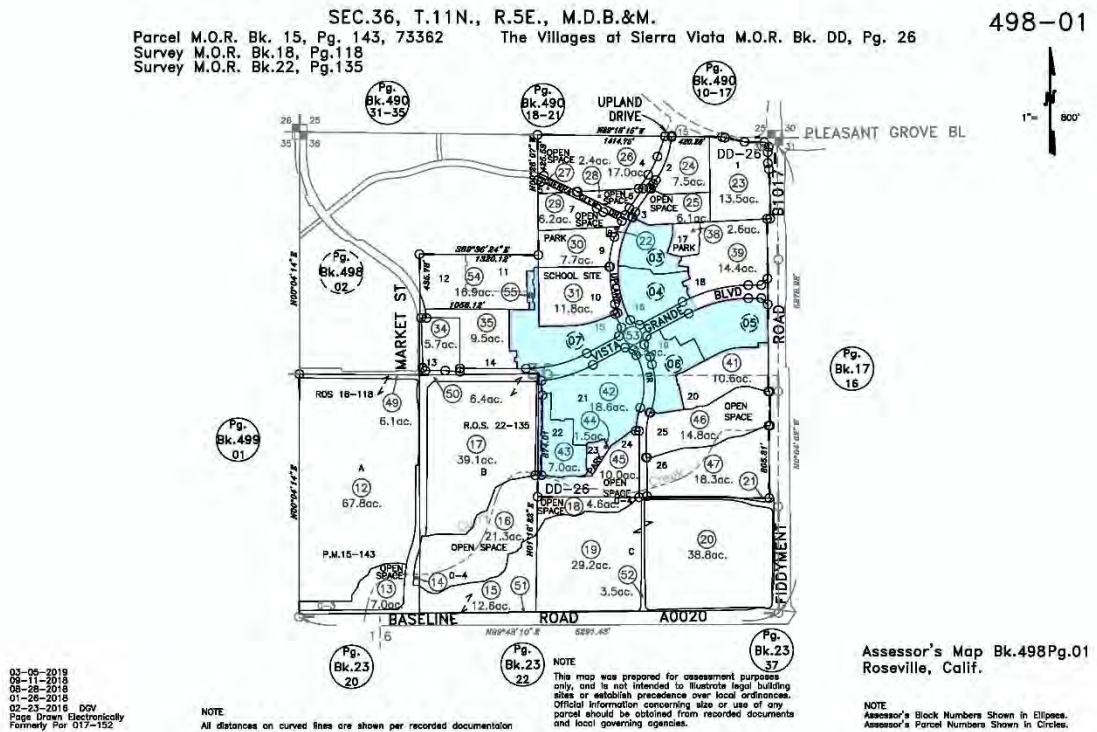
### Seismic Hazards

According to the Seismic Safety Commission, the subject property is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

### Conclusion of Land Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. We are not aware of any other particular restrictions on development.

### Assessor's Parcel Maps



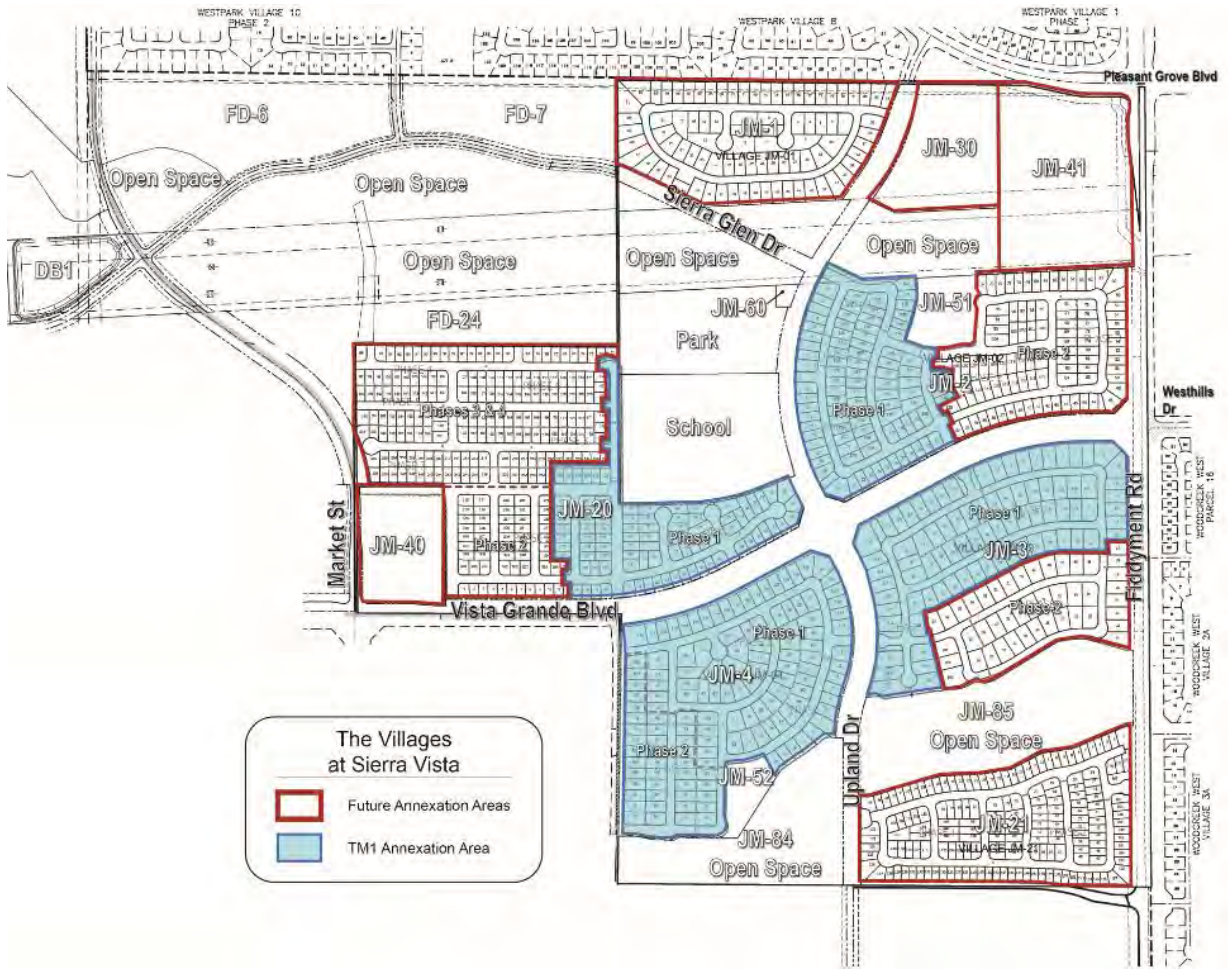


### Aerial



Source: GoogleMaps; boundary lines are approximate; aerial not representative of current development.

### Site Plan















## Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

Real estate taxes and assessments for the current tax year are shown in the following table.

<b>Taxes and Assessments - 2018/19</b>							
Tax ID	Assessed Value			Taxes and Assessments			
	Land	Improvements	Total	Tax Rate	Taxes	Direct Assessments	Total
498-010-036	\$1,486,905	\$0	\$1,486,905	1.241200%	\$18,455	\$5	\$18,461
498-010-037	\$1,723,394	\$0	\$1,723,394	1.241200%	\$21,391	\$5	\$21,396
498-010-040	\$1,313,000	\$0	\$1,313,000	1.241200%	\$16,297	\$5	\$16,302
498-010-042	\$1,253,000	\$0	\$1,253,000	1.241200%	\$15,552	\$5	\$15,558
498-010-043	\$515,984	\$0	\$515,984	1.241200%	\$6,404	\$5	\$6,409
	\$6,292,283	\$0	\$6,292,283		\$78,100	\$27	\$78,126

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as the infrastructure and property improvements are completed and the property is sold off to individual homeowners.

### Special Assessments

All of the appraised properties will be encumbered by the proposed Villages at Sierra Vista Community Facilities District (CFD) No. 1, CFD No. 2 and CFD No. 3. The annual special tax levy on the appraised properties, as of the 2018/19 tax year, are shown in the following table.

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**Villages at Sierra Vista CFD No. 1**


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<b>Proposed Land Use</b>	<b>Special Tax Per</b>
LDR	\$1,800
MDR	\$1,600

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**CFD No. 2**


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<b>Proposed Land Use</b>	<b>Special Tax Per</b>
LDR	\$326
MDR	\$326

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**CFD No. 3**


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<b>Proposed Land Use</b>	<b>Special Tax Per</b>
LDR	\$439
MDR	\$256

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It is noted Villages at Sierra Vista CFD #1 has an annual maximum escalation of 2%, while CFDs #2 and #3 have a maximum escalation at 4% per year.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The legal factors influencing the highest and best use of the appraised properties are primarily government regulations, such as zoning and building codes. The appraised properties are zoned and approved for single-family residential development. Overall, the legally permissible uses are to develop the appraised properties in accordance with the existing entitlements and land use designations, which have undergone extensive planning and review. A re-zone to any other land use is highly unlikely. Additionally, the above land uses are consistent with the City of Roseville General Plan and the Sierra Vista Specific Plan.

#### Physically Possible

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, offsite improvements, easements and soil and subsoil conditions. The legally permissible test has resulted in uses consistent with the existing entitlements (i.e., single-family development); at this point the physical characteristics are examined to see if they are suited for the legally permissible uses.

The physical characteristics of the appraised properties support development. Villages at Sierra Vista CFD has good access and project roadways connect the various lots within the development. Public utilities are also in place to support development. The subject is not located in an adverse earthquake or flood zone. Surrounding land uses are compatible and/or similar to the legally permissible use. Existing development in Villages at Sierra Vista and the nearby Westbrook project provides support that soils are adequate for development.

In summary, residential use is considered physically possible.

#### Financially Feasible

Financial feasibility depends on supply and demand influences. With respect to financial feasibility of single-family residential development, in recent months merchant builders have acquired unimproved lots in South Placer County for near term construction, and there are multiple active projects in the area that demonstrate demand for new homes. Finished lots are transferring for prices that exceed

the sum of unimproved lots and site development costs, which indicates completion of site development is financially feasible.

### **Maximally Productive**

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the appraised properties as vacant. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. Based on the factors previously discussed, the maximally productive use of the appraised properties, and its highest and best use as vacant, is for near term single-family residential development. The probable buyer of the subject (as vacant) is a merchant builder.

### **As Improved (Proposed)**

Highest and best use of the property as improved pertains to the use that should be made in light of its current improvements.

In the case of undeveloped land under development, consideration must be given to whether it makes sense to demolish existing improvements (either on-site or off-site improvements) for replacement with another use. The time and expense to demolish existing improvements, re-grade, reroute utilities or re-map must be weighed against alternative uses. If the existing or proposed improvements are not performing well, then it may produce a higher return to demolish existing improvements, if any, and re-grade the site for development of an alternative use.

Based on the current condition, the improvements completed contribute to the overall property value. The value of the subject as improved exceeds its value as vacant less demolition. The highest and best use of the subject as improved is for completion of any remaining site work and single-family home construction.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis, and the subdivision development method.**

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

## Lot Valuation

### Benchmark Lot Valuation

In the benchmark lot analysis, we will assign two benchmark larger parcels, one for the low-density residential (LDR) lots and one for the medium density residential (MDR) lots.

The typical lot sizes of the LDR lots range from 4,500 to 7,150 square feet within the various larger parcels. Of these typical lot sizes, the average size is about 5,869 square feet. With regard to lot count, the larger parcels have lot counts that range from 92 to 132 lots, with an average of 99 lots. Given this discussion, our benchmark LDR lot selection is **Parcel JM-4**, which contains 132 lots with a typical lot size of 5,775 square feet.

There is only one larger parcel with MDR lots, **Parcel JM-20**, which contains 88 lots with a typical lot size of 3,600 square feet.

### LDR Lot Analysis

In this section of the report, we will utilize the sales comparison approach and the extraction technique to estimate the market value of the LDR lot category. The estimate of value assumes the lots would sell on a bulk, or wholesale, basis. That is, a group of lots would transfer in one transaction to a single buyer.

### Sales Comparison Approach (LDR)

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 14th Edition (Chicago: Appraisal Institute, 2013), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the subject property. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

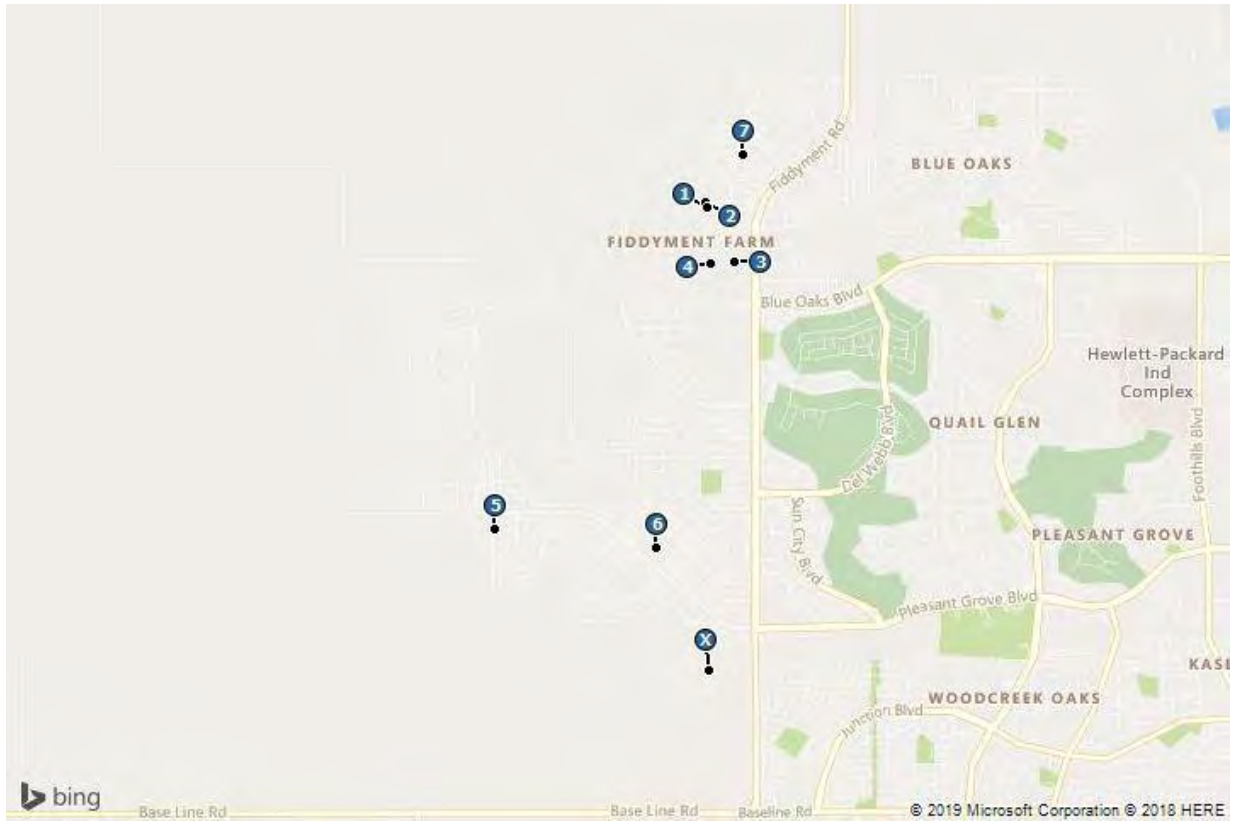
On the following page, we have arrayed comparable sales that have occurred in South Placer County (Roseville, Rocklin). The summary table is accompanied by a map and followed by details of each comparable. The basis of analysis is price per lot. The comparable data includes finished and unimproved transactions (with adjustments for remaining site costs and profit applied to the unimproved transactions).

Summary of Comparable Land Sales						
No.	Name/Address	Sale Date; Status	Sale Price; PV of Spec. Tax/Lot*	Typical Lot Size	Number of Lots \$/Lot	Site Dev. Costs/Lot; Permits & Fees/Lot
1	Fiddymnt Ranch, Village F-9B S/O Holt Pky, W/O Fiddymnt Rd Roseville Tax ID: 492-011-009 Grantor: ATC Realty One, LLC. Grantee: Lennar Homes of CA, Inc. Document ID: 87663 <i>Comments: This comparable was part of a multi-village take-down and represents the transfer of 70 finished lots with a typical lot size of 5,775 SF within Fiddymnt Ranch. Permits &amp; Fees average \$70,397/lot; annual special assessments are \$1,792/lot.</i>	Dec-18 Closed	\$9,940,000 \$24,667	5,775	70 \$142,000	\$0 \$70,397
2	Fiddymnt Ranch, Villages F-7A & 7B S/O Holt Pky, W/O Fiddymnt Rd Roseville Tax ID: 492-011-007 & -008 Grantor: ATC Realty One, LLC. Grantee: Lennar Homes of CA, Inc. Document ID: 87653 <i>Comments: This comparable was part of a multi-village take-down and represents the transfer of 131 finished lots with a typical lot size of 4,500 SF within Fiddymnt Ranch. Permits &amp; Fees average \$70,397/lot; annual special assessments are \$1,792/lot.</i>	Dec-18 Closed	\$15,851,000 \$24,667	4,500	131 \$121,000	\$0 \$70,397
3	Fiddymnt Ranch, Village F-9C N/O Blue Oaks Blvd, W/O Fiddymnt Rd Roseville Tax ID: 492-010-057 (por.) Grantor: ATC Realty One, LLC. Grantee: John Mourier Construction, Inc. Document ID: 44304 <i>Comments: This comparable was part of a multi-village take-down and represents the transfer of 83 finished lots with a typical lot size of 6,300 SF within Fiddymnt Ranch. Permits &amp; Fees average \$70,397/lot; annual special assessments are \$1,792/lot.</i>	Jun-18 Closed	\$11,159,350 \$24,667	6,300	83 \$134,450	\$0 \$70,397
4	Fiddymnt Ranch, Village F-8C N/O Blue Oaks Blvd, W/O Fiddymnt Rd Roseville Tax ID: 492-010-057 (por.) Grantor: ATC Realty One, LLC. Grantee: John Mourier Construction, Inc. <i>Comments: This comparable was part of a multi-village take-down and represents the transfer of 88 finished lots with a typical lot size of 5,125 SF within Fiddymnt Ranch. Permits &amp; Fees average \$70,397/lot; annual special assessments are \$1,792/lot.</i>	Jun-18 Closed	\$11,039,600 \$24,667	5,125	88 \$125,450	\$0 \$70,397
5	Solaire WB-4A & 4B SWC of Solaire Dr. and Westbrook Blvd. Roseville Tax ID: 496-100-048 Grantor: Westpark Communities Grantee: Woodside 05N LP Document ID: 2018-0010329 <i>Comments: This sale of 100 unimproved lots in Solaire are comprised of 58 lots with a typical size of 4,500 square feet and 42 lots with a typical size of 5,500 square feet for a weighted average of 4,920 square feet. Annual assessments are \$1,622. The lots are located within the Roseville School District. Permits are estimated at \$71,221 and remaining development cost is estimated at \$41,591 per lot (wgt. avg.).</i>	Feb-18 Closed	\$6,150,000 \$22,327	4,920	100 \$61,500	\$41,591 \$71,221
6	Village Center, Parcels W-28 & W-29 E/O Pleasant Grove Blvd., W/O Fiddymnt Rd. Blvd. Roseville Tax ID: Grantor: VC Roseville, LLC. Grantee: K. Hovnanian at Village Center, LLC. <i>Comments: This property represents the recent sale of 56 unimproved lots with a typical size of 4,100 square feet the Village Center area of the Westpark community. Annual assessments are estimated at \$1,622. The lots are located within the Roseville School District. Permits are estimated at \$67,000 and remaining development cost is estimated at \$35,000 per lot.</i>	Jan-18 Closed	\$3,360,000 \$22,327	4,100	56 \$60,000	\$35,000 \$67,000
7	Fiddymnt Farms - 88 Lots N/O Blue Oaks Blvd, W/O Fiddymnt Rd Roseville Tax ID: 497-040-034 Grantor: William & Kathleen Wistrich Grantee: John Mourier Construction, Inc. <i>Comments: This is the sale of 88 lots of 5,125 square feet in Fiddymnt Farms. Annual Special Assessments per lot \$1,688 Estimated permits and fees are \$63,800. The lots are to be delivered finished.</i>	Dec-17 Closed	\$11,000,000 \$23,235	5,125	88 \$125,000	\$0 \$63,800
8	<b>Name</b> <b>Subject</b> City of Roseville Villages at Sierra Vista CFD No. 1 (Public Facilities)  Roseville, CA	<b>Close Date</b> \$0	<b>Zoned SF</b> 5,775	<b>Zoned Units</b> 132	<b>\$0</b>	

\*Calculation is shown on page 46



### Comparable Land Sales Map



**Analysis and Adjustment of Sales**

The sales are compared to the subject and adjusted to account for material differences that affect value. The adjustment process is typically applied through either quantitative or qualitative analysis, or a combination of the two. Quantitative adjustments are often developed as dollar or percentage amounts and are most credible when there is sufficient data to perform a paired sales analysis.

This analysis relies on qualitative adjustments, with adjustments being characterized as being slightly superior/inferior, superior/inferior, or significantly superior/inferior, where approximate percent adjustments would be assigned as follows:

**Qualitative Adjustment Summary**

Adjustment	Identification	General Percent of	
		Adjustment Ranges	
Sig. Inferior	+++	11%	to 20+%
Inferior	++	6%	to 10%
Sl. Inferior	+	1%	to 5%
Similar		0%	
Sl. Superior	-	-1%	to -5%
Superior	--	-6%	to -10%
Sig. Superior	---	-11%	to -20+%

While we present percentage adjustments in the above table for comparison purposes, they are based on qualitative judgment rather than empirical research as there is not sufficient data to develop a sound quantitative estimate.

As a result of the limited data present in the market, many of the adjustments require the appraiser’s experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. Additionally, many of the adjustments are subjective and reflect the premiums and discounts a typical buyer would most likely assign for differing attributes between the comparables and the subject property.

Our rating of each comparable sale in relation to the subject is the basis for the adjustments. If the comparable is superior to the subject, its sale price is adjusted downward to reflect the subject’s relative attributes; if the comparable is inferior, its price is adjusted upward.

Adjustments are considered for the following factors, in the sequence shown below.

**Loaded Lot Analysis**

Prior to the application of adjustments, the following items are added to the per lot sale price.



**Loaded Lot Analysis**

Remaining Site Dev. Cost	We apply adjustments for remaining site development costs (if any).
Permits and Fees	Permits and fees due upon building permit are included on a dollar-for-dollar basis, all of which are presumed to be an obligation of the merchant builder.
Bond Encumbrance PV	All of the comparables transferred with the assumption of bonds; consequently, in order to reflect an estimate of the total consideration of each sale, the present value of the special taxes or the assessment lien are considered. Bond encumbrances are estimated utilizing a 6% interest (yield) rate for a standard term of 30 years (though many Districts allow for extensions beyond the initial (typical) 30-year term). For purposes of analysis, annual escalators are not taken into account.

**Loaded Lot Adjustments**

	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7
Lot Price	\$142,000	\$121,000	\$134,450	\$125,450	\$61,500	\$60,000	\$125,000
Remaining Site Development Costs	\$0	\$0	\$0	\$0	\$41,591	\$35,000	\$0
Permits & Fees	\$70,397	\$70,397	\$70,397	\$70,397	\$71,221	\$67,000	\$63,800
Loaded Lot Price Before Bonds	\$212,397	\$191,397	\$204,847	\$195,847	\$174,312	\$162,000	\$188,800
Special Taxes/Assessment Lien	\$1,792	\$1,792	\$1,792	\$1,792	\$1,622	\$1,622	\$1,688
Years to Maturity	30	30	30	30	30	30	30
Special Taxes/Assessment Lien	\$24,667	\$24,667	\$24,667	\$24,667	\$22,327	\$22,327	\$23,235
Loaded Lot Price After Bonds	\$237,064	\$216,064	\$229,514	\$220,514	\$196,639	\$184,327	\$212,035
Loaded Lot Adjustment	\$95,064	\$95,064	\$95,064	\$95,064	\$135,139	\$124,327	\$87,035

**Analysis and Adjustment of Sales**

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factor	Accounts For	Comments
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	All the comparables represent fee simple estate transactions. Therefore, adjustments for property rights are not necessary.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	The comparable sales were cash to the seller transactions and do not require adjustments.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	No adjustments are warranted for this element of comparison.



Adjustment Factor	Accounts For	Comments
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	Most of the comparables transferred during a period of stability in residential land prices, and no adjustments for market conditions are warranted. However, upward adjustments are made to Comparables 3 and 4 (contract date was in late 2017) through 7 to account for the increase in site development costs which in turn has driven up the price of finished lots.
Location/Community Appeal	Market or submarket area influences on sale price; surrounding land use influences.	Overall community appeal is considered good. As observed by the number of transactions within the past 24 months, South Placer County is a highly desirable submarket for single-family residential lots. The subject and all of the comparables are located within similar areas of West Roseville and no adjustments are required.
School District	The market has demonstrated preference for certain school districts, which are reflected within home sale prices.	The subject lots are located within the Center Joint Unified School District, while all of the comparables are located within the Roseville Unified School District, which is considered superior; downward adjustments are applied to all of the comparables.
Number of Lots	Generally, there is an inverse relationship between the number of lots and price per lot such that larger projects (with a greater number of lots) achieve a lower price per lot.	Generally, variances in per lot prices, all else being equal, are not observed in transactions between 50 and 250 lots. All of the comparable represent fairly similar sized transactions and do not require adjustments.



Adjustment Factor	Accounts For	Comments
Lot Size (Typical)	Adjustments for differences in lot size between the comparables and subject are estimated by applying lot size adjustment factors to difference in lot size.	Comparable 3 has a larger lot size relative to the subject’s benchmark lot size of 5,775 square feet and is adjusted downward. Conversely, Comparables 2, 5 and 6 are adjusted upward to account for their smaller lot sizes.
Lot Premiums/Discounts	Primary physical factors that affect desirability of lots.	None of the comparables benefit from view or significant open space premiums. Adjustments for this factor do not apply.

The following table summarizes the adjustments we make to each sale.



**Land Sales Adjustment Grid**

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6	Comparable 7
Name	City of Roseville Villages at Sierra Vista CFD No. 1 (Public Facilities)	Fiddymt Ranch, Village F-9B	Fiddymt Ranch, Villages F-7A & 7B	Fiddymt Ranch, Village F-9C	Fiddymt Ranch, Village F-8C	Solaire WB-4A & 4B	Village Center, Parcels W-28 & W-29	Fiddymt Farms - 88 Lots
City	Roseville	Roseville	Roseville	Roseville	Roseville	Roseville	Roseville	Roseville
Sale Date		Dec-18	Dec-18	Jun-18	Jun-18	Feb-18	Jan-18	Dec-17
Sale Status		Closed	Closed	Closed	Closed	Closed	Closed	Closed
Sale Price		\$9,940,000	\$15,851,000	\$11,159,350	\$11,039,600	\$6,150,000	\$3,360,000	\$11,000,000
Number of Lots	132	70	131	83	88	100	56	88
Price per Lot	–	\$142,000	\$121,000	\$134,450	\$125,450	\$61,500	\$60,000	\$125,000
Loaded Lot Adjustment	–	\$95,064	\$95,064	\$95,064	\$95,064	\$135,139	\$124,327	\$87,035
<b>Price per Lot</b>		<b>\$237,064</b>	<b>\$216,064</b>	<b>\$229,514</b>	<b>\$220,514</b>	<b>\$196,639</b>	<b>\$184,327</b>	<b>\$212,035</b>
Property Rights Adjustment		Fee Simple =	Fee Simple =	Fee Simple =	Fee Simple =	Fee Simple =	Fee Simple =	Fee Simple =
Financing Terms Adjustment		Cash to seller =	Cash to seller =	Cash to seller =	Cash to seller =	Cash to seller =	Cash to seller =	Cash to seller =
Conditions of Sale Adjustment		Market =	Market =	Market =	Market =	Market =	Market =	Market =
Market Conditions Adjustment	5/1/2019	Dec-18 =	Dec-18 =	Jun-18 <i>Sl. Inferior</i>	Jun-18 <i>Sl. Inferior</i>	Feb-18 <i>Sl. Inferior</i>	Jan-18 <i>Sl. Inferior</i>	Dec-17 <i>Sl. Inferior</i>
Location/Community Appeal Adjustment	West Roseville =	West Roseville =	West Roseville =	West Roseville =	West Roseville =	West Roseville =	West Roseville =	West Roseville =
School District Adjustment	Center Joint USD	Roseville USD <i>Sl. Superior</i>	Roseville USD <i>Sl. Superior</i>	Roseville USD <i>Sl. Superior</i>	Roseville USD <i>Sl. Superior</i>	Roseville USD <i>Sl. Superior</i>	Roseville USD <i>Sl. Superior</i>	Roseville USD <i>Sl. Superior</i>
Number of Lots Adjustment	132 =	70 =	131 =	83 =	88 =	100 =	56 =	88 =
Lot Size (Typical) Adjustment	5,775 =	5,775 =	4,500 <i>Sl. Inferior</i>	6,300 <i>Sl. Superior</i>	5,125 =	4,920 <i>Sl. Inferior</i>	4,100 <i>Sl. Inferior</i>	5,125 =
Lot Premiums/Discounts Adjustment	Average =	Similar =	Similar =	Similar =	Similar =	Similar =	Similar =	Similar =
<b>Overall Adjustment</b>		<b>Sl. Superior</b>	<b>Sl. Superior</b>	<b>Sl. Superior</b>	<b>Sl. Superior</b>	<b>Sl. Inferior</b>	<b>Sl. Inferior</b>	<b>Sl. Superior</b>



**Land Value Conclusion**

The market data set consists of various sales that are considered reasonable indicators of market value for the fee simple interest in the single-family residential lot category of the subject property. After accounting for remaining site development costs, permits and fees and special taxes, the data set reflects an unadjusted (loaded lot price) range of \$184,303 to \$233,235 per lot.

Based upon the analysis presented, a ranking analysis of the subject and the comparable sales is in the table below:

<b>Bulk Lot Ranking Summary</b>			
Property	Sale Date	\$/ Loaded Lot (Unadjusted)	Net Adjustment
Comparable 1	Dec-18	\$237,064	Sl. Superior
Comparable 3	Jun-18	\$229,514	Sl. Superior
Comparable 4	Jun-18	\$220,514	Sl. Superior
Comparable 2	Dec-18	\$216,064	Sl. Superior
Comparable 7	Dec-17	\$212,035	Sl. Superior
<b>Subject Property</b>	--	<b>\$200,000</b>	--
Comparable 5	Feb-18	\$196,639	Sl. Inferior
Comparable 6	Jan-18	\$184,327	Sl. Inferior

As shown, the loaded lot value indicator for the subject property is estimated to be lower than Comparables 1 through 4 and 7, and higher than the balance of the data set. As such, a loaded lot indicator of \$200,000 per lot is concluded for the benchmark village (JM-4) of the subject property. As previously mentioned, the fees due at building permit are estimated to be about \$54,968 per lot. As such, our conclusion of finished lot value for the benchmark village is as follows:

<b>Lot Value Conclusion</b>	
Concluded Loaded Lot Value	\$200,000
Less: Permits & Fees	(\$54,968)
<b>Indicated Lot Value (Rd.)</b>	<b>\$145,000</b>



## Land Residual Analysis

The land residual analysis is employed as an additional indicator of market value for the subject's lots, by phase. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

**Revenue** – the gross income is based on the sale of completed homes.

**Absorption Analysis** – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

**Expenses** – the expenses associated with the sell-off are calculated in this section – including infrastructure costs (if any), direct and indirect construction costs, administration, marketing and commission costs, as well as taxes and special taxes (if any).

**Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

### Revenue

The projected sales price for the average home within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses. The benchmark lot category has a typical lot size of 5,775 square feet. Based on the Residential Market section of this report, we estimate a typical average-sized home on the subject would contain approximately 2,400 square feet and would have a corresponding base price (total consideration) of \$535,000, inclusive of bonds. These estimates will be utilized in the analysis. In addition to this amount, a model recapture is also considered. Based on the product lines offered, four model homes are utilized to market the homes within each neighborhood, with upgrade costs of \$75,000 per model. A model recapture of 35% is considered reasonable and reflected in this analysis. No lot premiums are anticipated for the subject property. The estimate of total revenue by (provided in the table below) does not reflect market appreciation during the sellout, which is discussed on the following page.

Revenue Summary					
Floor Plan	No. of Units	Unit Size	Sale \$/SF	Value Per Unit	Extension
Typical Floor Plan	132	2,400	\$223	\$535,000	\$70,620,000
Model Recapture					<u>\$105,000</u>
<b>Total</b>	<b>132</b>	<b>2,400</b> (weighted avg.)		<b>\$535,795</b> (avg.)	<b>\$70,725,000</b> (without appreciation)

### Changes in Market Conditions (Price Increases or Decreases)

The subject's market area has experienced market appreciation in home prices; however, most market participants do not anticipate continued appreciation over the course of the development period. Further, under current market conditions (local and national), it is unlikely for near term home price appreciation for the subject homes. For these reasons, this analysis does not trend prices during the disposition period.

### Closing Projections

The typical time required for the construction of units has been approximately three to six months from start to closing. It is assumed that initial closings will occur within three to six months of the date of sale. The premise is that the builder constructs efficiently as homes are sold. These assumptions are reflected in the projected construction schedule shown in the land residual models at the end of this section. Since the land residual analysis is conducted on a quarterly basis, closings are reflected in the following period, as most construction will be substantially completed prior to initiation of sales.

### Absorption

Typically, multiple product lines would be marketed in a subdivision to create characteristics appealing to as many potential purchasers as possible. Offering home products within a subdivision to different market segments is done with the aim of increasing absorption and reducing the overall development holding period for a project. Based on information presented in the residential market analysis section, as well as the subjects' location and physical features, we estimate the subject property could achieve absorption rates of 12.0 sales per quarter. With sales beginning in Period 1, the subject's lots sell out in Period 11, with Period 12 needed to complete construction and close escrow.

### Expense Projections

As part of an ongoing effort to assemble market information, the following table reflects survey responses and developer budget information for numerous attached, single-family residential projects throughout Northern California.

Subdivision Budgets												
Developer Classification	Budget Date	No. of Unit	Quality	Avg. Home Size (SF)	G & A % of Revenue	Mkt & Sales % of Revenue	Direct Costs/SF	Indirect % of Direct Costs	Site Costs/Lot	Permits & Fees/Unit	Cost per Model	Profit % of Revenue
Regional	2019	84	Average	2,349	4.0%	2.6%	\$90.21	14%	N/Av	\$46,576	\$106,667	12.6%
Local	2019	48	Average	2,545	2.1%	5.7%	\$88.47	21%	\$63,645	\$72,300	\$133,333	6.8%
Regional	2018	88	Average	2,421	N/Av	N/Av	\$81	N/Av	\$43,843	\$68,879	N/Av	N/Av
Regional	2018	112	Average	N/Av	5.0%	5.0%	\$85	N/Av	\$50,000	\$67,000	\$40,000	15.0%
Local	2018	35	Average	2,371	N/Av	N/Av	\$77.00	N/Av	N/Av	\$50,613	N/Av	N/Av
Regional	2018	16	Good	2,765	N/Av	N/Av	\$83.88	N/Av	N/Av	\$57,097	N/Av	N/Av
Regional	2018	46	Good	1,946	N/Av	N/Av	\$105.00	N/Av	N/Av	\$28,370	N/Av	N/Av
Regional	2018	60	Average	2,179	N/Av	N/Av	\$61.52	N/Av	\$61,030	\$65,149	N/Av	N/Av
Regional	2018	83	Average	1,728	N/Av	N/Av	\$69.50	N/Av	\$63,568	\$68,864	N/Av	N/Av
Regional	2018	90	Average	2,502	N/Av	N/Av	N/Av	N/Av	\$93,027	\$63,750	N/Av	N/Av
Local	2018	44	Average	2,114	N/Av	N/Av	\$86.00	N/Av	\$68,524	\$39,525	N/Av	N/Av
Regional	2017	147	Average	2,100	N/Av	N/Av	\$73.00	N/Av	\$35,000	\$44,000	\$80,000	N/Av
Regional	2017	44	Average	2,171	5.0%	5.0%	\$84.85	6%	\$68,524	\$33,323	N/Av	N/Av
Local	2017	46	Average	1,874	N/Av	N/Av	\$90.33	14%	\$51,807	\$23,332	N/Av	N/Av
Regional	2017	94	Average	2,188	5.0%	6.2%	\$80.54	11%	N/Av	\$35,000	\$41,512	10.1%
National	2017	38	Average	2,078	N/Av	N/Av	\$62.70	N/Av	N/Av	\$46,822	N/Av	N/Av
Regional	2016	42	Good	2,152	N/Av	1.3%	\$78.26	29%	\$46,977	\$29,290	\$67,500	11.1%
Local	2016	32	Good	2,614	2.0%	5.1%	\$72.46	12%	\$64,490	\$46,000	\$27,372	8.8%

### General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

### Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

### Property Taxes (Ad Valorem and Special Taxes)

The subject is located within an area with an effective tax rate of 1.2412%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each phase. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. Additionally, the subject will be encumbered by Special Taxes associated with the City of Roseville CFD No. 1 (Villages at Sierra Vista) as well as CFD Nos. 2 and 3, which are taken into consideration in this analysis. The assigned special tax rates for the 2018/19 tax year are provided below.

#### Villages at Sierra Vista CFD No. 1

Proposed Land Use	Special Tax Per Lot
LDR	\$1,800
MDR	\$1,600

#### CFD No. 2

Proposed Land Use	Special Tax Per Lot
LDR	\$326
MDR	\$326

#### CFD No. 3

Proposed Land Use	Special Tax Per Lot
LDR	\$439
MDR	\$256

It is noted Villages at Sierra Vista CFD #1 has an annual maximum escalation of 2%, while CFDs #2 and #3 have a maximum escalation at 4% per year.

### Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. As noted, permits and fees due at building permit are projected to total \$54,968 per lot.

### Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Recent conversations with homebuilders confirm construction costs have increased over the last 12 months; consequently, based on the cost comparables, and considering the product line under development, a direct cost estimate of \$78 per square foot is applied to the 2,400 square foot home.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 12% is considered reasonable for the subject.

### Summary

The following chart summarizes the revenue and expenses discussed on the preceding pages.

<b>Revenue Summary</b>					
<b>Floor Plan</b>	<b>No. of Units</b>	<b>Unit Size</b>	<b>Sale \$/SF</b>	<b>Value Per Unit</b>	<b>Extension</b>
Typical Floor Plan	132	2,400	\$223	\$535,000	\$70,620,000
Model Recapture					<u>\$105,000</u>
<b>Total</b>	<b>132</b>	<b>2,400</b> <b>(weighted avg.)</b>		<b>\$535,795</b> <b>(avg.)</b>	<b>\$70,725,000</b> (without appreciation)
<b>Expenses Summary</b>					
<b>General and Administrative</b>	3.0% of total revenue				
<b>Marketing and Sales</b>	6.0% of total revenue				
<b>Ad Valorem Taxes</b>	1.2412% - Tax Rate (based on residual land value)				
÷ Total Number of Units			132	\$224,161	
				\$1,698 /lot	
Special Taxes	per month			\$255 /lot	
<b>Estimated Permits and Fees at Building Permit/Occupancy</b>					
Net (Average) Permits and Fees/Unit			\$54,968		
x Number of Units			<u>132</u>		
<b>Construction Costs</b>	<u>SF</u>	<u>Units</u>	<u>Cost/SF</u>	<u>Extension</u>	<u>Indirects</u>
Typical Floor Plan	2,400	132	\$78.00	\$24,710,400	\$2,965,248
Average Direct Construction Costs					\$187,200
Indirect Costs		12% of Direct Costs			\$22,464
Model Complex					\$300,000

## Developer's Incentive and Discount Rate

### Developer's Incentive

When employing a land residual analysis, most market participants (homebuilders) analyze projects based on an expected increment of profit and a cost-of-funds discount rate. The developer's profit is expressed as a percent of sales revenue and is included as an expense deduction. The cost-of-funds rate is used to discount each year of net income to present value. This methodology differs from the subdivision development method, in which most market participants (typically land developers) employ a yield rate or internal rate of return (IRR) inclusive of developer's profit, and do not deduct profit as a line item expense.

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a

project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded an estimate of 12% for developer's incentive.

#### **Discount Rate (Cost of Funds)**

A discount rate will be employed to convert future cash flows to present value, thus reflecting the time value of money. An appropriate discount rate should reflect the cost of funds under current market conditions. For a cost of funds index, we will use the 11th District Cost of Funds Index (COFI), which is a standard financial index widely used in U.S. capital markets as a benchmark for adjustable-rate loans. Lenders use such an index to adjust interest rates as economic conditions change. Lenders add a certain number of percentage points, or margin, to the index to establish interest rates. The 11th District COFI was 1.17% as of April 2019. A typical margin used by banks is about 250 to 350 basis points, or 2.5% to 3.5% not including additional points or fees. We will employ a discount rate (cost of funds) of 5.0% in the land residual analysis.

#### **Conclusion**

The land residual analysis is presented as follows:

**Land Residual Analysis**

**Revenue and Sales Summary**

Period (Quarter/3 months):	1	2	3	4	5	6	7	8	9	10	11	12	Total
Sales	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	0.0	132
Close of Escrow (COE)	0	12	12	12	12	12	12	12	12	12	12	12	132
Unsold Inventory	120	108	96	84	72	60	48	36	24	12	0	0	
<b>Total Sales</b>	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ -	\$ 70,725,000
<b>Total Sales Revenue</b>	\$ -	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 6,429,545	\$ 70,725,000

**Expenses and Cash Flow Summary**

Period (Quarter/3 months):	1	2	3	4	5	6	7	8	9	10	11	12	Total
General and Administrative	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (176,813)	\$ (2,121,750)
Marketing and Sales	\$ -	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (385,773)	\$ (4,243,500)
Ad Valorem Real Estate Taxes	\$ (56,040)	\$ (50,946)	\$ (45,851)	\$ (40,756)	\$ (35,662)	\$ (30,567)	\$ (25,473)	\$ (20,378)	\$ (15,284)	\$ (10,189)	\$ (5,095)	\$ -	\$ (336,241)
Special Assessments	\$ (101,013)	\$ (91,830)	\$ (82,647)	\$ (73,464)	\$ (64,281)	\$ (55,098)	\$ (45,915)	\$ (36,732)	\$ (27,549)	\$ (18,366)	\$ (9,183)	\$ -	\$ (606,078)
Direct Construction Costs	\$ (1,123,200)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (2,246,400)	\$ (1,123,200)	\$ (24,710,400)
Indirect Construction Costs	\$ (134,784)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (269,568)	\$ (134,784)	\$ (2,965,248)
Building Permits	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ (659,616)	\$ -	\$ (7,255,776)
<b>Total Expenses</b>	\$ (2,251,466)	\$ (3,880,945)	\$ (3,866,667)	\$ (3,852,390)	\$ (3,838,112)	\$ (3,823,835)	\$ (3,809,557)	\$ (3,795,279)	\$ (3,781,002)	\$ (3,766,724)	\$ (3,752,447)	\$ (1,820,569)	\$ (42,238,993)
<b>Net Income Before Developer's Incentive</b>	\$ (2,251,466)	\$ 2,548,601	\$ 2,562,878	\$ 2,577,156	\$ 2,591,433	\$ 2,605,711	\$ 2,619,988	\$ 2,634,266	\$ 2,648,544	\$ 2,662,821	\$ 2,677,099	\$ 4,608,976	\$ 28,486,007
Total Developer's Incentive (Profit)	12.00%	\$ -	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 771,545	\$ 8,487,000
<b>Net Income (Before Discounting)</b>	\$ (2,251,466)	\$ 1,777,055	\$ 1,791,333	\$ 1,805,610	\$ 1,819,888	\$ 1,834,165	\$ 1,848,443	\$ 1,862,721	\$ 1,876,998	\$ 1,891,276	\$ 1,905,553	\$ 3,837,431	\$ 19,999,007
<b>Present Value Factor</b>													
Discount Rate (Cost of Borrowed Funds)	5.00%	0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422	0.88318	0.87228	0.86151
Discounted Cash Flow	\$ (2,223,670)	\$ 1,733,448	\$ 1,725,803	\$ 1,718,082	\$ 1,710,289	\$ 1,702,426	\$ 1,694,497	\$ 1,686,504	\$ 1,678,451	\$ 1,670,339	\$ 1,662,171	\$ 3,305,980	\$ 18,064,319
Net Present Value	\$ 18,064,319												
<b>Conclusion of Value by Discounted Cash Flow Analysis (Rd)</b>													\$ 18,060,000



## Extraction Analysis

In order to derive of value for the subject’s MDR lots, we utilize an extraction (residual) analysis that takes into account home prices, direct and indirect construction costs, accrued depreciation and developer’s incentive in order to arrive at an estimate of finished lot value. The elements of the extraction technique are discussed below.

## Revenue

The MDR lot category contains only one village, Parcel JM-20, which contains 88 lots with a typical lot size of 3,600 square feet.

In order to estimate revenue from a typical floor plan, the table below arrays various new home communities within West Roseville, as provided by the Gregory Group.

Active Projects											
Project	Master Plan	Community	Developer	Average Price	Avg. Home Size (SF)	Average Price/SF	Typical Lot Size	Units Planned	Units Offered	Units Sold	Units Unsold
Aspire	WestPark	Roseville	K. Hovnanian Homes	\$436,907	2,037	\$214	3,825	56	18	13	5
Blume	Solaire	Roseville	Taylor Morrison Homes	\$479,657	2,314	\$207	5,000	73	46	37	9
Bromley	Solaire	Roseville	Woodside Homes	\$542,200	2,764	\$196	6,000	86	86	83	3
Carrington	WestPark	Roseville	Lennar Homes	\$552,740	2,673	\$207	5,775	150	145	144	1
Farms at Riolo Mariposa	--	Roseville	Homes by Towne	\$466,000	2,449	\$190	7,000	107	27	16	11
Heritage Eclipse*	Solaire	Roseville	Lennar Homes	\$573,990	2,648	\$217	6,000	86	41	27	14
Heritage Larissa*	Solaire	Roseville	Lennar Homes	\$507,490	2,111	\$240	5,000	75	44	28	16
Heritage Meridian*	Solaire	Roseville	Lennar Homes	\$429,740	1,546	\$278	4,500	92	40	30	10
Hillingdon	Solaire	Roseville	Woodside Homes	\$481,990	2,551	\$189	5,250	71	71	69	2
La Maison	Diamond Creek	Roseville	Lennar Homes	\$423,990	1,893	\$224	2,700	81	81	81	0
Legato	WestPark	Roseville	KB Home	\$589,929	3,631	\$162	7,150	147	139	134	5
Manchester	Solaire	Roseville	D.R. Horton	\$434,190	2,206	\$197	4,500	134	116	107	9
Montecito Walk	WestPark	Roseville	Lennar Homes	\$407,740	1,583	\$258	2,400	122	110	96	14
Morgan Ranch	--	Roseville	Homes by Towne	\$535,500	2,876	\$186	10,000	62	50	43	7
Northwood	Fiddymnt Farm	Roseville	JMC Homes	\$409,990	1,360	\$301	6,300	74	58	50	8
Oakbriar	Fiddymnt Farm	Roseville	Signature Homes	\$451,000	1,832	\$246	3,000	96	96	92	4
Summerwood	Fiddymnt Farm	Roseville	JMC Homes	\$477,490	1,811	\$264	6,050	85	80	80	0
Terra Vista	Stone Ridge	Roseville	Elliot Homes	\$713,450	2,965	\$241	6,175	100	100	92	8
The Summit	WestPark	Roseville	Meritage Homes	\$561,807	2,954	\$190	6,600	56	47	39	8
The Vineyard	--	Roseville	JMC Homes	\$446,990	1,851	\$241	3,150	139	139	139	0
Treo	Solaire	Roseville	Taylor Morrison Homes	\$522,740	2,695	\$194	6,000	72	50	37	13
Valleybrook	Fiddymnt Farm	Roseville	JMC Homes	\$727,490	3,592	\$203	8,500	70	15	10	5
Veranda	Stone Ridge	Roseville	Elliot Homes	\$373,490	1,652	\$226	3,000	150	50	50	0
Wexford	Solaire	Roseville	D.R. Horton	\$439,323	2,247	\$196	5,500	103	100	100	0
Wildwood	Fiddymnt Farm	Roseville	JMC Homes	\$602,990	2,716	\$222	6,600	86	63	57	6
Woodbridge	Fiddymnt Farm	Roseville	Signature Homes	\$538,150	2,648	\$203	5,500	116	36	28	8
				Minimum	\$373,490	1,360	\$162	2,400			
				Maximum	\$727,490	3,631	\$301	10,000			
				Average	\$504,884	2,369	\$219	5,441			

\*Age Restricted Project  
Source: The Gregory Group

Based upon the information above our conclusion of a typical home on the typical MDR lot (3,600 square foot lot) is an 1,800 square foot home with a total consideration of \$410,000, inclusive of bond debt.

## Expense Projections

### General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder’s budget. We have used 3.0% for general and administrative expenses.



## Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

## Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

Direct construction costs are estimated at \$80 per square foot. Market participants indicate that current direct costs generally range from \$75 to \$90 per square foot and vary according to builder type and home sizing. Our estimated costs fall within the range indicated and will be utilized in the analysis.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 12% is considered reasonable for the subject.

## Permits and Fees

As previously noted, permits and fees average \$47,089 per lot, which will be utilized in our analysis.

### **Accrued Depreciation**

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

### **Developer's Incentive**

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. This is consistent with our survey presented, which ranged from 8.4% to 18.8%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements
- Construction of horizontal improvements are underway
- Good transportation linkages
- Steady pricing and steady absorption in the area

There are generally few "negative" attributes associated with the subject property, other than the potential for deterioration in market conditions in the residential sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). The prior table at the beginning of the Expense Projections discussion includes survey results for profit expectations of active home builders in the region.

Based on the preceding discussion and developer surveys, we have concluded an estimate of 12% for the developer's incentive.

### **Conclusion**

Our estimates of finished lot value for the subject's lots via the extraction analysis are presented as follows:

<b>Extraction Analysis</b>			
<b>Revenue</b>			
Average Floor Plan Size	1,800 SF		
Typical Home Price			\$410,000
<b>Expense Projections</b>			
G&A Costs	3.00% of Retail Value	\$12,300	
Marketing/Sales	6.00% of Retail Value	\$24,600	
Average Direct Costs	\$80.00 per SF	\$144,000	
Indirect Costs	12.00% of Direct Costs	\$17,280	
Permits and Fee	\$47,089 per lot	\$47,089	
Developer's Incentive	12.00% of home price	\$49,200	
			\$294,469
Residual Lot Value			\$115,531
		<b>Rd.</b>	<b>\$116,000</b>

**Reconciliation of Lot Value**

Based on the preceding analysis, at \$136,818, the estimate of residual LDR lot value represents a difference of approximately 5% of the sales comparison approach estimate (\$145,000). The land residual analysis is considered generally supportive of the sales comparison approach, which will be relied upon in our final conclusion of value.

With regard to the lot value for the MDR lot category, our sole method of valuation was the extraction method, which yielded a value conclusion of **\$116,000 per lot**.

In consideration of paired sales analyses and sales agent interviews regarding premiums achieved for home sales when isolating lot size, a lot size adjustment factor of \$10.00 per square foot of difference in lot area is applied to the benchmark lot values. In the following table, adjustments for differences in lot size are made to the above-concluded benchmark typical lot and applied to the subject’s additional lot size categories. Additionally, we have accounted for the remaining in-tract costs for each village.

<b>Residential Lot Values</b>								
Larger Parcel			Remaining In-Tract			Adjusted Lot		
Designation	Typical Lot Size	Land Use	Benchmark Value	Lot Size Adjustment	Costs/Lot	Value (Rd)	No. of Lots	Value in Bulk
JM-2	4,500	LDR	\$145,000	(\$12,750)	(\$5,361)	\$127,000	92	\$11,684,000
JM-3	8,300	LDR	\$145,000	\$25,250	(\$9,303)	\$161,000	83	\$13,363,000
JM-4	5,775	LDR	\$145,000	\$0	(\$38,607)	\$106,000	132	\$13,992,000
JM-20	3,600	MDR	\$116,000	\$0	(\$13,891)	\$102,000	88	\$8,976,000
<b>Total</b>							<b>395</b>	<b>\$48,015,000</b>

It’s worth noting the developer/builder plans to develop JM-4 in two phases, 82 lots in Phase 1 and 40 lots in Phase 2; however, based on the analysis herein, there is no difference in underlying land value.



John Mourier Construction, Inc. owns all 395 lots within the CFD. Based on an analysis of recent market transactions of single-family residential lots throughout the Northern California market area, and interviews with land developers and merchant builders active in the regional market area, it is our opinion, under current market conditions, if exposed to the market the land comprising each respective village of Villages at Sierra Vista CFD would likely sell to one or more builders each offering competing and/or complimentary product lines. Further, if marketed, it is expected the land comprising each developable village would sell within 12 months of exposure on the market. While Village JM4 is unimproved, with entitlements (tentative tract map) for 132 single-family residential lots, it is anticipated and expected these lots could be improved, with recordation of the final map, within 12 months. Thus, while discounting was considered in this analysis, it is our opinion no additional discounting beyond that which is captured in the valuation analyses of the lots in bulk presented herein is necessary.

## Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

### Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value, in Bulk	Fee Simple	May 1, 2019	\$48,015,000

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds are available to reimburse for certain infrastructure improvements completed. The estimate of market value account for the impact of the Lien of the Special Taxes securing the Bonds.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local land market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

## Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

## Certification

We certify that, to the best of our knowledge and belief:

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Kevin Ziegenmeyer, MAI, Eric Segal, MAI, and Kari Tatton have personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Kevin Ziegenmeyer, MAI, and Eric Segal, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kari Tatton  
Certified General Real Estate Appraiser  
California Certificate # 3002218

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
  10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
  19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
  20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environmental hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Sacramento, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
  21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
  26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
  27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
  28. The appraisal is also subject to the following:

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### **Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. It is a hypothetical condition of the Appraisal that certain proceeds from the Bonds are available to reimburse for certain infrastructure improvements completed. The estimate of market value account for the impact of the Lien of the Special Taxes securing the Bonds.
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# **Addendum A**

## **Appraiser Qualifications**



# Kevin Ziegenmeyer, MAI

## Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

## Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2019

## Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

Integra Realty Resources  
San Francisco

San Francisco, CA 95765

T 916-435-3883

F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224



# Kevin Ziegenmeyer, MAI

## Education (Cont'd)

Land Valuation Adjustment Procedures  
Highest & Best Use and Market Analysis  
Entitlements, Land Subdivision & Valuation  
Real Estate Value Cycles  
El Dorado Hills Housing Symposium  
Federal Land Exchanges  
M & S Computer Cost-Estimating, Nonresidential

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F 916-435-4774

irr.com





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kevin K. Ziegenmeyer**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2017  
Date Expires: June 4, 2019

  
Jim Martin, Bureau Chief, BREA

3034684

# Eric Segal, MAI

## Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

## Licenses

California, Certified General, AG026558, Expires February 2021

Nevada, Certified General, A.0207666-CG, Expires January 2019

## Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

**Integra Realty Resources**  
**Sacramento**

3825 Atherton Rd  
# 500  
Rocklin, CA 95765

T 916-435-3883  
F 916-435-4774

irr.com

[esegal@irr.com](mailto:esegal@irr.com) - 916-435-3883 x228





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**


has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019  
Date Expires: February 18, 2021

  
Jim Martin, Bureau Chief, BREA

3044479

# Kari Tatton

## Experience

Ms. Tatton is a Certified General real estate appraiser. After completing her bachelor's degree at California State University, Sacramento, Ms. Tatton began her career in real estate in March 2011, and has been writing narrative appraisal reports for a variety of commercial properties including office, retail, industrial, multifamily housing, land and special-purpose properties including self-storage facilities, religious facilities, schools and auto dealerships. She specializes in the appraisal of residential master planned communities and subdivisions, as well as Mello-Roos and Assessment Districts for land-secured municipal financings.

## Licenses

California, Certified General Real Estate, 3002218, Expires June 2020

## Education

Academic:

Bachelor of Arts in Interior Design (Concentration in Interior Architecture)  
California State University, Sacramento

Appraisal and Real Estate Courses:

Basic Appraisal Principles  
Basic Appraisal Procedures  
Site Valuation & Cost Approach  
General Market Analysis & Highest and Best Use  
Sales Comparison Approach  
Income Capitalization Approach Part I  
Income Capitalization Approach Part II  
General Appraiser Report Writing and Case Studies  
Appraisal of Fast Food Facilities  
Appraising Small Apartment Properties  
Appraisal of Land Subject to Ground Leases  
Appraising Automobile Dealerships

**Integra Realty Resources**  
**Sacramento**

3825 Atherton Rd  
# 500  
Rocklin, CA 95765

T 916-435-3883  
F 916-435-4774

irr.com





Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kari M. Tatton**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

**BREA APPRAISER IDENTIFICATION NUMBER: 3002218**

Effective Date: June 2, 2018  
Date Expires: June 1, 2020

  
Jim Martin, Bureau Chief, BREA

3040303

## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com



## **Addendum B**

### **Definitions**



# Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

## **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

## **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

## **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

## **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

## **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

#### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

#### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

#### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

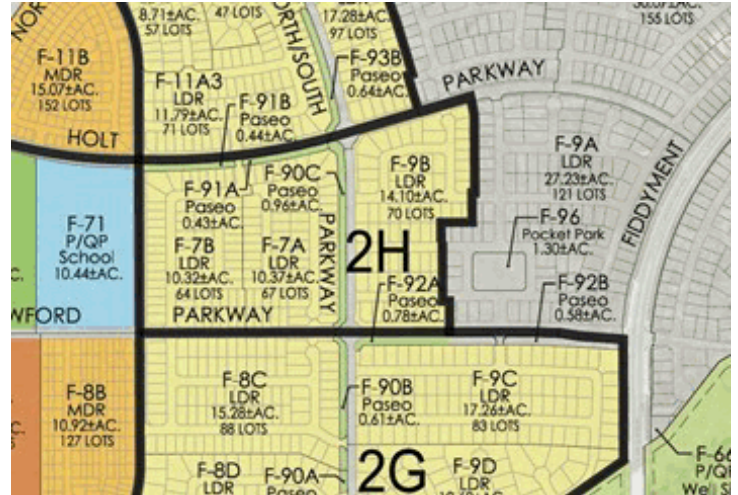
# **Addendum C**

## **Comparable Data**



## Location & Property Identification

Property Name:	Fiddymnt Ranch, Village F-9B
Sub-Property Type:	Residential, Residential Subdivision
Address:	S/O Holt Pky, W/O Fiddymnt Rd
City/State/Zip:	Roseville, CA 95747
County:	Placer
Market Orientation:	Suburban
IRR Event ID:	2195644



## Sale Information

Sale Price:	\$9,940,000
Effective Sale Price:	\$9,940,000
Sale Date:	12/05/2018
Contract Date:	05/15/2018
Sale Status:	Closed
\$/Unit:	\$142,000 /Approved Lot
Grantor/Seller:	ATC Realty One, LLC.
Grantee/Buyer:	Lennar Homes of CA, Inc.
Assemblage:	No
Portfolio Sale:	Yes
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	87663

Potential Lot SF:	5,775
No. of Units (Potential):	70
Topography:	Level
Zoning Desc.:	Single-family
Source of Land Info.:	Other

## Comments

This comparable was part of a multi-village take-down and represents the transfer of 70 finished lots with a typical lot size of 5,775 SF within Fiddymnt Ranch. Permits & Fees average \$70,397/lot; annual special assessments are \$1,792/lot.

## Improvement and Site Data

Legal/Tax/Parcel ID:	492-011-009
Acres(Gross):	0.00

## Location & Property Identification

Property Name: Fiddymment Ranch, Villages F-7A & 7B

Sub-Property Type: Residential, Residential Subdivision

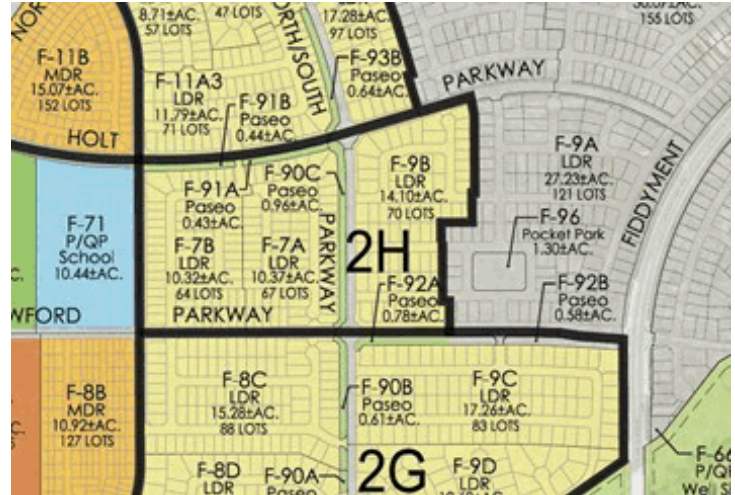
Address: S/O Holt Pky, W/O Fiddymment Rd

City/State/Zip: Roseville, CA 95747

County: Placer

Market Orientation: Suburban

IRR Event ID: 2195641



## Sale Information

Sale Price: \$15,851,000

Effective Sale Price: \$15,851,000

Sale Date: 12/05/2018

Contract Date: 05/15/2018

Sale Status: Closed

\$/Unit: \$121,000 /Approved Lot

Grantor/Seller: ATC Realty One, LLC.

Grantee/Buyer: Lennar Homes of CA, Inc.

Assemblage: No

Portfolio Sale: Yes

Assets Sold: Real estate only

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Financing: Cash to seller

Document Type: Deed

Recording No.: 87653

Potential Lot SF: 4,500

No. of Units (Potential): 131

Topography: Level

Zoning Desc.: Single-family

Source of Land Info.: Other

## Comments

This comparable was part of a multi-village take-down and represents the transfer of 131 finished lots with a typical lot size of 4,500 SF within Fiddymment Ranch. Permits & Fees average \$70,397/lot; annual special assessments are \$1,792/lot.

## Improvement and Site Data

Legal/Tax/Parcel ID: 492-011-007 & -008

Acres(Gross): 0.00

## Location & Property Identification

Property Name: Fiddymment Ranch, Village F-9C

Sub-Property Type: Residential, Residential Subdivision

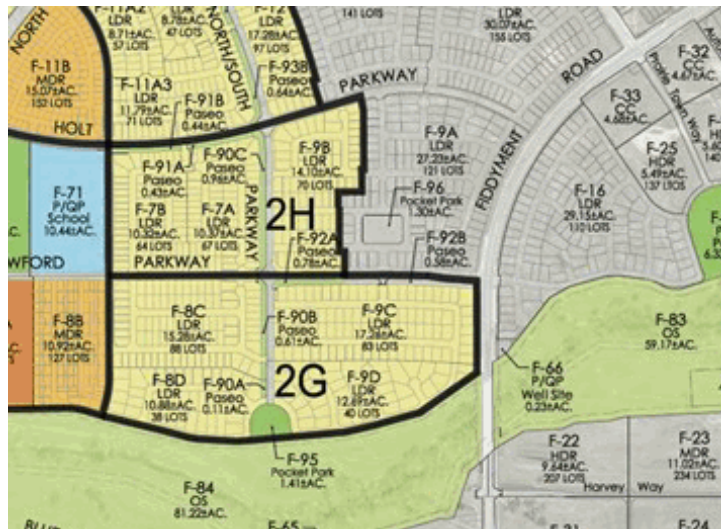
Address: N/O Blue Oaks Blvd, W/O Fiddymment Rd

City/State/Zip: Roseville, CA 95747

County: Placer

Market Orientation: Suburban

IRR Event ID: 2195629



## Sale Information

Sale Price: \$11,159,350

Effective Sale Price: \$11,159,350

Sale Date: 06/21/2018

Contract Date: 11/17/2017

Sale Status: Closed

\$/Unit: \$134,450 /Approved Lot

Grantor/Seller: ATC Realty One, LLC.

Grantee/Buyer: John Mourier Construction, Inc.

Assemblage: No

Portfolio Sale: Yes

Assets Sold: Real estate only

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Financing: Cash to seller

Document Type: Deed

Recording No.: 44304

Potential Lot SF: 6,300

No. of Units (Potential): 83

Topography: Level

Zoning Desc.: Single-family

Source of Land Info.: Other

## Comments

This comparable was part of a multi-village take-down and represents the transfer of 83 finished lots with a typical lot size of 6,300 SF within Fiddymment Ranch. Permits & Fees average \$70,397/lot; annual special assessments are \$1,792/lot.

## Improvement and Site Data

Legal/Tax/Parcel ID: 492-010-057 (por.)

## Location & Property Identification

Property Name: Fiddymment Ranch, Village F-8C

Sub-Property Type: Residential, Residential Subdivision

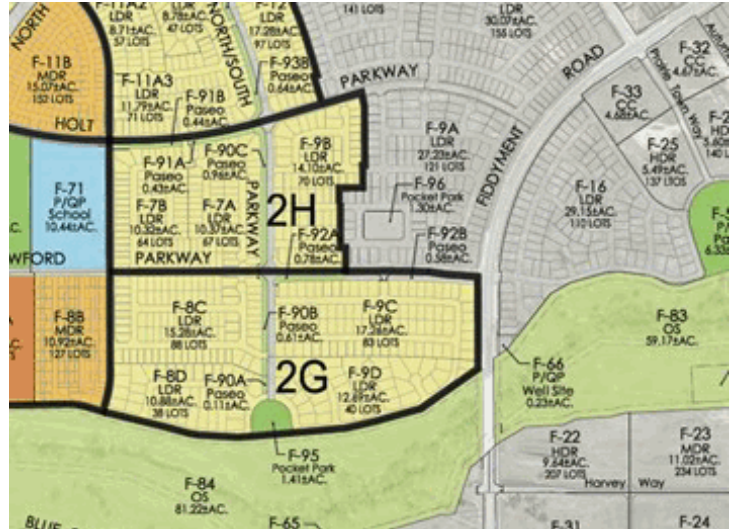
Address: N/O Blue Oaks Blvd, W/O Fiddymment Rd

City/State/Zip: Roseville, CA 95747

County: Placer

Market Orientation: Suburban

IRR Event ID: 2195569



## Sale Information

Sale Price: \$11,039,600

Effective Sale Price: \$11,039,600

Sale Date: 06/21/2018

Contract Date: 11/17/2017

Sale Status: Closed

\$/Unit: \$125,450 /Approved Lot

Grantor/Seller: ATC Realty One, LLC.

Grantee/Buyer: John Mourier Construction, Inc.

Portfolio Sale: Yes

Assets Sold: Real estate only

Property Rights: Fee Simple

% of Interest Conveyed: 100.00

Financing: Cash to seller

Document Type: Deed

Recording No.: 44304

Potential Lot SF: 5,000

No. of Units (Potential): 88

Topography: Level

Zoning Desc.: Single-family

Source of Land Info.: Other

## Comments

This comparable was part of a multi-village take-down and represents the transfer of 88 finished lots with a typical lot size of 5,125 SF within Fiddymment Ranch. Permits & Fees average \$70,397/lot; annual special assessments are \$1,792/lot.

## Improvement and Site Data

Legal/Tax/Parcel ID: 492-010-057 (por.)



## Location & Property Identification

Property Name: Solaire WB-4A & 4B  
Sub-Property Type: Residential, Residential Subdivision  
Address: SWC of Solaire Dr. and Westbrook Blvd.  
City/State/Zip: Roseville, CA 95747  
County: Placer  
Market Orientation: Suburban  
IRR Event ID: 1885821

## Sale Information

Sale Price: \$6,150,000  
Effective Sale Price: \$6,150,000  
Sale Date: 02/16/2018  
Recording Date: 02/16/2018  
Sale Status: Closed  
\$/Unit: \$61,500 /Approved Lot  
Grantor/Seller: Westpark Communities  
Grantee/Buyer: Woodside 05N LP  
Property Rights: Fee Simple  
Financing: Cash to seller  
Recording No.: 2018-0010329  
Verified By: Kevin Ziegenmeyer, MAI  
Verification Date: 12/22/2017  
Verification Type: Confirmed-Seller Broker

Topography: Level  
Zoning Desc.: Single-family  
Source of Land Info.: Public Records

## Comments

This sale of 100 unimproved lots in Solaire are comprised of 58 lots with a typical size of 4,500 square feet and 42 lots with a typical size of 5,500 square feet for a weighted average of 4,920 square feet. Annual assessments are \$1,622. The lots are located within the Roseville School District. Permits are estimated at \$71,221 and remaining development cost is estimated at \$41,591 per lot (wgt. avg.).

## Occupancy

Occupancy at Time of Sale: 100.00%

## Improvement and Site Data

Legal/Tax/Parcel ID: 496-100-048

Potential Lot SF: 4,920  
No. of Units (Potential): 100

## Location & Property Identification

Property Name:	Village Center, Parcels W-28 & W-29
Sub-Property Type:	Residential, Residential Subdivision
Address:	E/O Pleasant Grove Blvd., W/O Fiddymment Rd. Blvd.
City/State/Zip:	Roseville, CA 95747
County:	Placer
Market Orientation:	Suburban
IRR Event ID:	1903874

## Sale Information

Sale Price:	\$3,360,000
Effective Sale Price:	\$3,360,000
Sale Date:	01/17/2018
Sale Status:	Closed
\$/Unit:	\$60,000 /Approved Lot
Grantor/Seller:	VC Roseville, LLC.
Grantee/Buyer:	K. Hovnanian at Village Center, LLC.
Portfolio Sale:	No
Assets Sold:	Real estate only
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	2548

## Improvement and Site Data

Potential Lot SF:	4,100
No. of Units (Potential):	56
Topography:	Level
Flood Zone Designation:	X
Source of Land Info.:	Other

## Comments

This property represents the recent sale of 56 unimproved lots with a typical size of 4,100 square feet the Village Center area of the Westpark community. Annual assessments are estimated at \$1,622. The lots are located within the Roseville School District. Permits are estimated at \$67,000 and remaining development cost is estimated at \$35,000 per lot.

## Sale Analysis

Sale Price Includes FF&E?	No
---------------------------	----

## Location & Property Identification

Property Name: Fiddymment Farms - 88 Lots  
Sub-Property Type: Residential, Residential Subdivision  
Address: N/O Blue Oaks Blvd, W/O Fiddymment Rd  
City/State/Zip: Roseville, CA 95747  
County: Placer  
Market Orientation: Suburban  
IRR Event ID: 1885827

## Sale Information

Sale Price: \$11,000,000  
Effective Sale Price: \$11,000,000  
Sale Date: 12/29/2017  
Recording Date: 12/29/2017  
Sale Status: Closed  
\$/Unit: \$125,000 /Improved Lot  
Grantor/Seller: William & Kathleen Wistrich  
Grantee/Buyer: John Mourier Construction, Inc.  
Property Rights: Fee Simple  
Financing: Cash to seller  
Document Type: Deed  
Recording No.: 2017-0104362-00

Potential Lot SF: 5,125  
No. of Units (Potential): 88  
Topography: Level  
Zoning Desc.: Single-family  
Source of Land Info.: Other

## Comments

This is the sale of 88 lots of 5,125 square feet in Fiddymment Farms. Annual Special Assessments per lot are \$1,688 and estimated permits and fees are \$63,800. The lots are to be delivered finished.

## Occupancy

Occupancy at Time of Sale: 100.00%

## Improvement and Site Data

Legal/Tax/Parcel ID: 497-040-034

## APPENDIX C

### THE CITY OF ROSEVILLE AND PLACER COUNTY

*The District is located in the City of Roseville (the “City”), which is located in southwestern Placer County (the “County”), California (the “State”). Certain financial and economic data for the City, County and State are presented in this appendix for information purposes only. The 2019 Bonds are not a debt or obligation of the City, County or State, but are a limited obligation of the City, secured solely by the Special Tax Revenues and other amounts pledged under the Fiscal Agent Agreement, all as described in more detail in this Official Statement.*

#### **General**

The City is located in the County, which is located in the Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City presently occupies 43 square miles in the southwestern part of the County and is the largest city in the County as well as the residential and business center of the County. It is bordered by Sacramento County to the south, the City of Rocklin to the north and un-incorporated Placer County to the east and west. The estimated population of the City as of January 1, 2019 was approximately 139,643.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

The City is predominately comprised of residential housing, small and large businesses, as well as numerous retail centers, the latter of which play a vital role in the economy of the City and contribute significantly to City and County sales tax receipts. The City has the thirteenth highest retail sales of all cities in the State, and the City is considered a regional shopping destination. The Westfield Galleria at Roseville is the main shopping center in the City and the second largest shopping mall in Northern California. Across from the Westfield Galleria lies the “Fountains at Roseville,” a 330,000 square foot retail center, containing additional stores and several recreation centers. Plans call for future construction of hotel, additional retail, and office buildings in connection with the Fountains at Roseville project. In addition to the Westfield Galleria and Fountains at Roseville, the City has many shopping plazas surrounding the Westfield Galleria and the Douglas Boulevard financial corridor. The City is also home to one of the largest auto malls in the United States and a popular water park, Roseville Golf and Sun Splash.

#### **Municipal Government**

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

City services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. The City also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

**Population**

The following table sets forth population estimates for the City, County and State for the past five years.

**POPULATION ESTIMATES  
City, County and State  
Calendar Years 2015 through 2019, as of January 1**

<u>Year</u>	<u>City of Roseville</u>	<u>Placer County</u>	<u>State of California</u>
2015	129,299	370,387	38,912,464
2016	132,167	375,618	39,179,627
2017	134,650	383,173	39,500,973
2018	136,260	389,480	39,740,508
2019	139,643	396,691	39,927,315

*Source: California State Department of Finance.*

**Effective Buying Income**

Effective buying income (“EBI”) is designated as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the City, the County, the State and the United States.

**EFFECTIVE BUYING INCOME (EBI)  
City, County, State and United States  
As of January 1, 2015 through 2019**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2015	City of Roseville	\$3,507,655	\$59,074
	Placer County	10,287,888	58,583
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Roseville	\$3,959,073	\$64,615
	Placer County	11,729,490	64,480
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Roseville	\$4,126,395	\$66,668
	Placer County	12,122,101	65,269
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Roseville	\$4,470,762	\$70,438
	Placer County	12,967,927	69,226
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Roseville	\$4,981,208	\$75,784
	Placer County	14,736,480	74,797
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

*Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.*

**Employment and Industry**

The unemployment rate in the Sacramento--Roseville--Arden-Arcade MSA was 3.5 percent in April 2019, down from a revised 4.2 percent in March 2019, and below the year-ago estimate of 3.6 percent. This compares with an unadjusted unemployment rate of 3.9 percent for California and 3.3 percent for the nation during the same period. The unemployment rate was 3.5 percent in El Dorado County, 3.0 percent in Placer County, 3.5 percent in Sacramento County, and 4.0 percent in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento--Arden-Arcade--Roseville MSA for the years 2014 through 2018. Annual figures are not yet available for 2019.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
Sacramento Arden Arcade Roseville Metropolitan Statistical Area  
(El Dorado, Placer, Sacramento, and Yolo Counties)  
Civilian Labor Force, Employment and Unemployment  
Annual Averages**

	<u>2014</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2018</u>
<b><u>Civilian Labor Force</u></b> <sup>(1)</sup>	1,044,700	1,053,800	1,069,300	1,076,500	1,095,800
Employment	970,300	992,100	1,012,900	1,027,600	1,055,100
Unemployment	74,400	61,700	56,400	48,900	40,600
Unemployment Rate	7.1%	5.9%	5.3%	4.5%	3.7%
<b><u>Wage and Salary Employment</u></b> <sup>(2)</sup>					
Agriculture	9,200	9,400	9,700	9,800	9,100
Mining and Logging	400	400	400	400	500
Construction	45,600	50,300	55,000	58,700	63,600
Manufacturing	35,400	36,400	36,200	35,700	36,100
Wholesale Trade	24,100	24,400	25,500	26,500	28,500
Retail Trade	95,300	98,000	100,500	101,400	102,300
Transportation, Warehousing and Utilities	23,600	24,600	26,000	26,700	29,100
Information	13,900	14,100	13,800	12,500	12,300
Finance and Insurance	35,600	37,100	37,300	37,200	37,100
Real Estate and Rental and Leasing	13,400	13,800	14,500	15,200	16,800
Professional and Business Services	118,300	120,300	128,100	130,600	135,700
Educational and Health Services	134,300	140,100	145,600	152,800	159,500
Leisure and Hospitality	91,800	95,400	99,800	103,300	106,300
Other Services	30,300	30,900	31,700	33,000	34,200
Federal Government	13,600	13,700	14,000	14,200	14,100
State Government	113,400	115,300	116,600	118,400	120,500
Local Government	100,800	102,900	104,000	102,600	102,900
Total, All Industries <sup>(3)</sup>	898,800	927,100	958,700	978,800	1,008,700

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The following table lists the major employers within the County, in alphabetical order.

### MAJOR EMPLOYERS Placer County (In Alphabetical Order) May 2019

<u>Employer</u>	<u>Location</u>	<u>Industry</u>
Adventist Health	Roseville	Health Services
Alpine Meadows Ski Resort	Alpine Meadows	Resorts
Backyard Bar & BBQ	Truckee	Restaurants
Costco Wholesale	Roseville	Wholesale Clubs
Golfland Sunsplash	Roseville	Water Parks
Hewlett-Packard	Roseville	Computers-Electronic-Manufacturers
Kaiser Permanente Roseville MD	Roseville	Hospitals
Northstar California	Truckee	Resorts
Oracle	Rocklin	Computer Software-Manufacturers
Placer County Food Stamps	Auburn	County Government-Social/Human Resources
Placer County Sheriff	Auburn	Government Offices-County
Placer County Sheriff Dept	Tahoe City	Government Offices-County
PRIDE Industries	Roseville	Employment Agencies & Opportunities
Q I P-Roseville	Roseville	Real Estate Management
Resort At Squaw Creek	Alpine leadows	Hotels & Motels
Ritz-Carlton Club Lake Tahoe	Truckee	Hotels & Motels
Ritz-Carlton Lake Tahoe	Truckee	Hotels & Motels
Sheriff's Training	Auburn	Government Offices-County
Sierra Community College Dist	Rocklin	Junior-Community College-Tech Institutes
Stagg Howard A Pro Corp	Roseville	Attorneys
Sutter Auburn Faith Hospital	Auburn	Hospitals
Sutter Roseville Medical Ctr	Roseville	Hospitals
Tami Saner & Assoc	Roseville	Real Estate
Thunder Valley Casino	Lincoln	Casinos
Union Pacific Railroad Co	Roseville	Railroads

Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

**Principal Employers**

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2018.

**PRINCIPAL EMPLOYERS  
City of Roseville  
As of June 30, 2018**

<u>Employer</u>	<u>Number of Employees</u>
The Permanente Medical Group & Foundation Group	3,148
Sutter Roseville Medical Group	2,202
City of Roseville	1,896
Roseville Joint Union High School	1,626
Roseville City School District	1,133
PRIDE Industries	1,062
Adventist Health	940
Wal-Mart	625
Union Pacific Railroad Company	569
Consolidated Communications	<u>475</u>
Total – Top Ten	<u>13,676</u>
Total City-Wide Employment	83,221

*Source: City of Roseville Comprehensive Annual Financial Report for Fiscal Year 2017-18.*

**Construction Permits**

The following table shows valuations of residential and non-residential building permits issued for calendar years 2013 through 2017. Annual figures are not yet available for 2018.

**BUILDING PERMIT VALUATION  
City of Roseville  
(Valuation in Thousands of Dollars)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Permit Valuation</u>					
New Single-family	\$118,547.9	\$154,499.7	\$262,769.4	\$242,272.7	\$322,386.5
New Multi-family	6,632.0	15,360.4	0.0	5,900.3	51,882.2
Res. Alterations/Additions	<u>3,395.0</u>	<u>4,967.8</u>	<u>9,039.9</u>	<u>7,518.4</u>	<u>7,283.3</u>
Total Residential	<u>\$128,574.9</u>	<u>\$174,827.9</u>	<u>\$271,809.3</u>	<u>\$255,691.4</u>	<u>\$381,552.0</u>
New Commercial	\$26,058.9	\$19,546.6	\$36,704.0	\$27,783.7	\$81,544.8
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	2,627.4	10,935.1	9,340.5	18,126.2	8,356.1
Com. Alterations/Additions	<u>45,489.0</u>	<u>62,138.9</u>	<u>42,754.7</u>	<u>32,621.0</u>	<u>51,836.3</u>
Total Nonresidential	<u>\$74,175.3</u>	<u>\$92,620.6</u>	<u>\$88,799.2</u>	<u>\$78,530.9</u>	<u>\$141,737.2</u>
<u>New Dwelling Units</u>					
Single-Family	528	644	927	862	1,201
Multiple Family	<u>224</u>	<u>0</u>	<u>0</u>	<u>58</u>	<u>486</u>
Total New Dwelling Units	752	644	927	920	1,687

*Source: Construction Industry Research Board, Building Permit Summary.*

The County’s 2016-17 assessment roll totaled \$66.8 billion as compared to the prior year’s assessment roll of \$63.4 billion, which reflected a 5.38% increase this year. These numbers over the last two years contrast with the real estate decline years of 2008 and after, where the County assessment roll experienced declines.

The following table shows residential and non-residential building permits issued within the County for calendar years 2013 through 2017. Annual figures are not yet available for 2018.

**BUILDING PERMIT VALUATION**  
**County of Placer**  
**(Valuation in Thousands of Dollars)**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<u>Permit Valuation</u>					
New Single-family	\$378,286.0	\$523,638.2	\$683,806.3	\$776,410.8	\$771,800.5
New Multi-family	7,078.5	48,645.5	21,702.2	42,395.7	92,565.5
Res. Alterations/Additions	<u>50,358.2</u>	<u>59,428.5</u>	<u>82,577.5</u>	<u>79,543.6</u>	<u>89,429.2</u>
Total Residential	<u>\$435,722.7</u>	<u>\$631,712.2</u>	<u>\$788,086.0</u>	<u>\$898,350.1</u>	<u>\$953,795.2</u>
New Commercial	\$70,876.0	\$38,343.5	\$72,506.2	\$84,953.2	\$138,544.8
New Industrial	1,092.0	199.8	1,339.6	535.1	0.0
New Other	25,673.5	44,159.8	72,602.9	90,958.7	57,356.4
Com. Alterations/Additions	<u>73,037.0</u>	<u>101,977.7</u>	<u>80,457.5</u>	<u>64,524.2</u>	<u>94,058.6</u>
Total Nonresidential	<u>\$170,678.5</u>	<u>\$184,680.8</u>	<u>\$226,906.2</u>	<u>\$240,971.2</u>	<u>\$289,959.8</u>
<u>New Dwelling Units</u>					
Single-Family	1,249	1,620	1,994	2,102	2,500
Multiple Family	<u>227</u>	<u>376</u>	<u>240</u>	<u>322</u>	<u>782</u>
Total New Dwelling Units	<u>1,996</u>	<u>2,234</u>	<u>2,424</u>	<u>2,342</u>	<u>3,282</u>

Source: Construction Industry Research Board, Building Permit Summary.

**Commercial Activity**

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

The total taxable sales during first quarter of calendar year 2018 in the City were reported to be \$1,096,031,536, a 1.15% increase from the total taxable sales of \$1,083,615,965 reported during the first quarter of calendar year 2017. Annual figures for 2018 are not yet available.

**TAXABLE TRANSACTIONS  
City of Roseville  
Calendar Years 2013 through 2017  
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2013	3,757	3,558,765	4,819	4,171,738
2014	3,699	3,607,127	4,743	4,227,788
2015 <sup>(1)</sup>	3,828	3,684,238	5,334	4,446,457
2016	3,761	3,749,782	5,293	4,425,939
2017	3,715	3,915,184	5,257	4,642,069

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

The total taxable sales during the first quarter of calendar year 2018 in the County were reported to be \$2,227,558,002, an 3.10% decrease over the total taxable sales of \$2,160,547,498 reported during the first quarter of calendar year 2017. Annual figures for 2018 are not yet available.

**TAXABLE TRANSACTIONS  
Placer County  
Calendar Years 2013 through 2017  
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2013	8,487	6,050,198	11,713	7,724,406
2014	8,520	6,296,076	11,749	8,100,167
2015 <sup>(1)</sup>	8,678	6,594,126	13,124	8,675,315
2016	8,671	6,814,515	13,227	8,920,892
2017	8,713	7,194,952	13,365	9,428,862

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

## **Transportation**

The transportation network in and around the City is an integral part of its development. Centrally located in the State, the area is the hub of several major highways. Interstate 80 runs through the City, connecting San Francisco to New York. Highway 65 runs north through the City, from I-80 to Lincoln and Marysville. Interstate 5, which is west of the City, runs north to Seattle and south to Los Angeles.

Union Pacific Railroad bought Southern Pacific in 1996 and the J.R. Davis Yard, located in Roseville, is the largest rail facility on the West Coast. Union Pacific owns and operates track in 23 states, primarily west of the Mississippi River. Amtrak provides passenger service daily to San Francisco and San Jose, and the California Zephyr connects the County to the Midwest and Chicago.

Greyhound operates a station in the City, providing interstate destination services. Greyhound also operates throughout the County, with bus depots or regularly scheduled stops in most of the communities along major highways and roads.

Sacramento International Airport serves the Roseville area. Served by ten major carriers and several commuter airlines, as well as air-freight carriers, the airport handles passenger flights to over 140 cities with more than 130 scheduled departures per day and 4.3 million passengers annually. Nearby Auburn Municipal Airport serves charter and private aircraft for coastal, state and transcontinental flights. Executive air service is available as well. Auburn Municipal has an elevation of 1,520 feet and an east/west runway 3,100 feet in length.

Several trucking companies serve the City, ranging from interstate lines to local haulers, and transporting a wide variety of goods. United Parcel Service, with a distribution center in Rocklin, offers freight transportation services as well.

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**APPENDIX D**  
**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

City Council  
City of Roseville  
311 Vernon Street  
Roseville, California 95678

OPINION: \$12,540,000 City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2019

Members of the City Council:

We have acted as bond counsel to the City of Roseville (the "City") in connection with the issuance by the City of the \$12,540,000 City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2019 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of July 1, 2019 (the "Fiscal Agent Agreement"), by and between the City, on behalf of the City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities), and The Bank of New York Mellon Trust Company, N.A., as fiscal agent. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

### FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

#### CONTINUING DISCLOSURE CERTIFICATE (City)

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) dated as of July 1, 2019, is executed and delivered by the CITY OF ROSEVILLE (the “City”) in connection with the execution and delivery of its City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2019 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement dated as of July 1, 2019 (the “Fiscal Agent Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”).

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is six and one-half months after the end of the City’s fiscal year (currently January 15 based on the City’s fiscal year end of June 30).

“Dissemination Agent” means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing January 15, 2020, with the report for the 2018-19 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A to this Disclosure Certificate.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine prior to each Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The City’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information, unless otherwise specified, as of September 30 of the preceding year:

(i) Principal amount of all outstanding bonds of the District.

(ii) Balance in the improvement fund.

(iii) (a) Balance in 2019 Reserve Account of the Reserve Fund, and statement of the Reserve Requirement for the Bonds; and statement of projected draws on the 2019 Reserve Account of the Reserve Fund, if any; and (b) balance in any debt service reserve fund or account established in connection with any other issue of bonds of City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) and statement of the reserve requirement for such other bonds; and statement of projected draws on any other such debt service reserve fund or account, if any.

(iv) Balance in other funds and accounts held by the City or fiscal agent related to the Bonds.

(v) Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.

(vi) The Special Tax levy and the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.

(vii) Notwithstanding the September 30 reporting date, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of September 30. Identity of each delinquent taxpayer responsible for 5 percent or more of total Special Tax levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

(viii) Most recently available total assessed value of all parcels subject to the Special Tax.

(ix) List of landowners and assessor's parcel number of parcels subject to 20% or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

(x) Debt service coverage

(xi) The total Special Tax levy and the Maximum Special Tax for Developed Property, Small Lot Tentative Map Property, Large Lot Property and Undeveloped Property (all as defined in the Rate and Method of Apportionment) together with the allocable debt of the CFD Bonds and most recently available assessed values for each category.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be

necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

- (14) Appointment of a successor or additional fiscal agent or the change of name of the fiscal agent, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above. The Dissemination Agent shall not be responsible for determining whether an event is material.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders, or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

**CITY OF ROSEVILLE**, for and on behalf of  
City of Roseville Villages at Sierra Vista  
Community Facilities District No. 1 (Public  
Facilities)

By: \_\_\_\_\_  
Name:  
Title:

**WILLDAN FINANCIAL SERVICES**, as  
Dissemination Agent

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Roseville

Name of Bond Issue: \$12,540,000 City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2019

Date of Issuance: July 23, 2019

NOTICE IS HEREBY GIVEN that the City of Roseville (the "City") on behalf of City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of July 1, 2019 (the "Fiscal Agent Agreement") by and between the City and The Bank of New York Mellon Trust Company, N.A., as Fiscal Agent. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

WILLDAN FINANCIAL SERVICES, as  
Dissemination Agent, on behalf of City of  
Roseville Villages at Sierra Vista  
Community Facilities District No. 1 (Public  
Facilities)

By: \_\_\_\_\_  
Name:  
Title:

cc: City of Roseville

**FORM OF CONTINUING DISCLOSURE CERTIFICATE  
(Developer)**

THIS CONTINUING DISCLOSURE AGREEMENT (the “Disclosure Certificate”) dated as of July 1, 2019, is executed by John Mourier Construction, Inc., a California corporation (the “Developer”) in connection with the execution and delivery by the City of Roseville of its City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Series 2019 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of July 1, 2019 (the “Fiscal Agent Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”).

The Developer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the holders and beneficial owners of the Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Assumption Agreement” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to the District), whereby such Major Owner or Affiliate agrees to provide periodic reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the District owned by such Major Owner and its Affiliates and, at the option of the Developer or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

“Dissemination Agent” means Willdan Financial Services, or any successor Dissemination Agent designated in writing by the Developer, and which has filed with the Developer, the City and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“Major Owner” means, as of any Report Date, an owner of land in the District that is responsible in the aggregate for 20% or more of the Special Taxes in the District anticipated to be levied at any time during the then-current fiscal year.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” means Piper Jaffray & Co., the original Underwriter of the Bonds.

“Periodic Report” means any Periodic Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Property” means the property owned by the Developer in the District.

“Report Date” means April 1 and October 1 of any fiscal year.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Special Taxes” means the special taxes of the District levied on taxable property within the District.

### Section 3. Provision of Periodic Reports.

(a) The Developer shall, or, upon written direction of the Developer the Dissemination Agent shall, not later than the Report Date, commencing October 1, 2019, file or cause to be filed with the MSRB a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Developer shall provide the Periodic Report to the Dissemination Agent (if different from the Developer). The Developer shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Developer), the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Developer and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Developer that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Developer to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Developer does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the City and the Participating Underwriter.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Developer (if the Dissemination Agent is other than the Developer), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with the MSRB.

Section 4. Content of Periodic Reports. The Developer's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit B relating to the Developer, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit B, the Developer's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The Developer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(ii) failure to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date;

(iii) filing of a lawsuit of which the Developer is aware against the Developer or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property; and

(v) any payment default or other material default by the Developer on any loan with respect to the construction of improvements on the Property.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB, with a copy to the Fiscal Agent, the City and the Participating Underwriter.

#### Section 6. Duration of Reporting Obligation.

(a) All the Developer's obligations hereunder shall commence on the date hereof and terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as property owned by the Developer is no longer responsible for payment of 20% or more of the Special Taxes, or

(iii) the date on which the Developer prepays in full all of the Special Taxes attributable to the Property, or

(iv) the date on which (A) the Developer has completed construction of all buildings to be constructed within property it owns in the District and (B) each such building constructed by the Developer and intended for lease by the Developer has been, since completion of construction, at least 80% occupied at one time or another, if applicable.

The Developer shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Developer hereunder with respect to the property in the District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and if so assumed the Developer's obligations hereunder with respect to such portion of the Property will be terminated. In order to effect such an assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance reasonably satisfactory to the City and the Participating Underwriter. If not so assumed, the Developer shall report the information, as applicable to the transferee, required herein so long as the transferee is a Major Owner.

Section 7. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist the Developer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days' written notice to the City, the Developer and the Participating Underwriter.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted; and

(b) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement, with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding loss, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information

provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Developer, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Developer	John Mourier Construction, Inc. Attn: _____ _____ _____
To the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, CA 92590
To the Issuer/City:	City of Roseville 311 Vernon Street Roseville, CA 95678 Attn: CFD Administrator
To the Fiscal Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 400 Los Angeles, CA 90071 Attn: Corporate Trust
To the Participating Underwriter:	Piper Jaffray & Co. Attn: _____ 2321 Rosecrans Avenue, Suite 3200, El Segundo, CA 90245

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Developer (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Developer hereunder shall be assumed by any legal successor to the obligations of the Developer as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Developer has executed this Disclosure Certificate as of the date first above written.

John Mourier Construction, Inc., a California corporation

By: \_\_\_\_\_  
Name:  
Title:

ACCEPTED by DISSEMINATION AGENT:

Willdan Financial Services,  
*as Dissemination Agent*

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE PERIODIC REPORT**

Name of Issuer: City of Roseville

Name of Bond Issue: \$12,540,000 City of Roseville, Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities), Special Tax Bonds, Series 2019

Date of Issuance: July 23, 2019

NOTICE IS HEREBY GIVEN that \_\_\_\_\_ (the "Major Owner") has not provided a Periodic Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Periodic Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Dissemination Agent

By: \_\_\_\_\_

Its: \_\_\_\_\_

cc: Developer

**EXHIBIT B**

**PERIODIC REPORT**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated July 1, 2019, executed by the undersigned (the "Developer") in connection with the issuance of the above-captioned bonds by the City of Roseville (the "City") with respect to its City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) (the "District").

Capitalized terms used in this Periodic Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Developer in the District (the "Property"):

Development name: \_\_\_\_\_

Number of lots (acreage): \_\_\_\_\_

B. Status of land development or construction activities:

\_\_\_\_\_  
\_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements:

\_\_\_\_\_  
\_\_\_\_\_

D. Aggregate property sold, optioned or leased by the Developer to end users or merchant builders:

Since the Date of Issuance <u>of the Bonds</u>		Since the Last Periodic <u>Report</u>	
Acres*	_____	Acres*	_____
Lots	_____	Lots	_____
Bldg. Sq. Ft.	_____	Bldg. Sq. Ft.	_____

\* For bulk land sales only (excluding sales of finished lots or completed buildings).

E. Status of any land purchase contracts with regard to the Property, whether acquisition of land in the District by the Developer or sales of land in the District to other property

owners, distinguishing between (i) end users (e.g., condominiums), (ii) developers and (iii) merchant builders.

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F. With respect to occupied buildings owned and leased by Developer, (i) occupancy percentage and (ii) a rent roll consisting solely of (A) term of lease and (B) number of square feet subject to the lease, if applicable.

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II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Developer or the financial condition and financing plan of the Developer that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

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III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

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IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Developer or the Property contained in the Official Statement under the heading " OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" that would materially and adversely interfere with the Developer's ability to develop and sell the Property as described in the Official Statement.

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V. Other Material Information

In addition to any of the information expressly required above, provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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Certification

The undersigned Developer hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Developer under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE DEVELOPER, THE DEVELOPMENT OF THE PROPERTY, THE DEVELOPER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE DEVELOPER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE DEVELOPER. THE DEVELOPER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE DEVELOPER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: \_\_\_\_\_

John Mourier Construction, Inc.

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## APPENDIX F

### SUMMARY OF CERTAIN PROVISIONS OF FISCAL AGENT AGREEMENT

*The following contains a brief summary of certain provisions of the Fiscal Agent Agreement not found in the main body of the Official Statement. Investors are hereby directed to obtain a complete copy of the Fiscal Agent Agreement, which is available from the City or the Fiscal Agent upon request.*

#### **Certain Definitions**

*“Administrative Expenses”* means any or all of the following: the fees and expenses of the Fiscal Agent (including, but not limited to, any fees or expenses of its counsel), the expenses of the City in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to the Agreement, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties hereunder (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under the Agreement.

*“Agreement”* means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

*“Annual Debt Service”* means, for each Bond Year and each series of Outstanding Bonds, the sum of (i) the interest due on the respective series of Outstanding Bonds in such Bond Year, assuming that such Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the respective series of Outstanding Bonds, including any mandatory sinking fund payments, due in such Bond Year.

*“Authorized Officer”* means the City Manager, Chief Financial Officer, City Attorney or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

*“Bond Counsel”* means (i) Jones Hall, A Professional Law Corporation or (ii) any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

*“Bond Year”* means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2019.

*“Business Day”* means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

“*CDIAC*” means the California Debt and Investment Advisory Commission of the office of the California State Treasurer or any successor agency or bureau thereto.

“*Chief Financial Officer*” means the duly acting Chief Financial Officer of the City, or if the City has no Chief Financial Officer, the Finance Director, Treasurer or other officer of the City serving a similar role.

“*City*” means the City of Roseville, California, and any successor thereto.

“*Closing Date*” the date upon which there is a physical delivery of the 2019 Bonds in exchange for the amount representing the purchase price of the 2019 Bonds by the Original Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“*Continuing Disclosure Certificate*” means the Continuing Disclosure Certificate, dated as of the Closing Date, executed by the City and Willdan Financial Services, in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“*Cost of Issuance*” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent, including its first annual administration fee, and expenses and fees of counsel to the Fiscal Agent, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter’s) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“*DTC*” means the Depository Trust Company, and its successors and assigns.

“*Debt Service*” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“*Depository*” means (i) initially, DTC, and (ii) any other Securities Depository acting as Depository pursuant to the Agreement.

“*District*” means the City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) formed pursuant to the Resolution of Formation.

“*Fair Market Value*” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction

(as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

*“Federal Securities”* means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

*“Fiscal Agent”* means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Agreement.

*“Fiscal Year”* means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

*“Information Services”* means “EMMA” or the “Electronic Municipal Market Access” system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

*“Maximum Annual Debt Service”* means, for each series of Outstanding Bonds, the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of the respective series of Outstanding Bonds.

“*Officer’s Certificate*” means a written certificate of the City signed by an Authorized Officer of the City.

“*Ordinance*” means any ordinance of the City levying the Special Taxes.

“*Original Purchaser*” means, with respect to each series of Bonds, the first purchaser of such Bonds from the City.

“*Outstanding,*” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

“*Owner*” or “*Bondowner*” means any person who shall be the registered owner of any Outstanding Bond.

“*Participating Underwriter*” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“*Permitted Investments*” means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent is entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

(i) Federal Securities;

(ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation; and (d) bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent and its affiliates), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the

lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers' acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (b) the Fiscal Agent collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above, such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (b) the Fiscal Agent collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to

an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper which at the time of purchase is of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody’s Investors Service, or Standard and Poor’s Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an “AA” or higher rating for the issuer’s debentures, other than commercial paper, as provided for by Moody’s Investors Service or Standard and Poor’s Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

*“Prepayment”* means moneys received by the City from the prepayment of Special Taxes as provided in the Special Tax Formula.

*“Principal Office”* means the corporate trust office of the Fiscal Agent set forth in the Agreement, or such other or additional offices as may be designated by the Fiscal Agent.

*“Project”* means the acquisition and/or construction of the authorized facilities for the District described in the Resolution of Formation, including Administrative Expenses related thereto.

*“Qualified Reserve Fund Credit Instrument”* means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met: (i) the long-term credit rating of such bank or insurance company is rated in the top two categories (without regard to modifier) by S&P or Moody’s at the time of issuance; (ii) such letter of credit or surety bond has a term of at least 12 months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement being met by such instrument or with respect to which funds are proposed to be released pursuant to the Fiscal Agent Agreement;

and (iv) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to the Fiscal Agent Agreement.

*“Record Date”* means the 15th day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

*“Regulations”* means temporary and permanent regulations promulgated under the Code.

*“Resolution of Formation”* means Resolution No. 18-119, adopted by the City Council of the City on May 2, 2018, establishing the District.

*“Securities Depositories”* means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

*“Special Tax Formula”* means the “Amended Rate, Method of Apportionment, and Manner of Collection of Special Tax for City of Roseville Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities),” approved by the qualified electors in the District on January 16, 2019, and as it may be amended in the future.

*“Supplemental Agreement”* means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

## **Bond Fund**

Establishment. There is established as a separate fund to be held by the Fiscal Agent the Villages at Sierra Vista Community Facilities District No. 1 (Public Facilities) Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by the Agreement, or the Act. Within the Bond Fund, the Fiscal Agent shall establish and maintain a Capitalized Interest Account, to the credit of which deposit shall be made as required by the Agreement. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Within the Bond Fund there is hereby established the Prepayment Account, which shall be used exclusively for the administration of any prepayments of Special Taxes to assure the timely redemption of Bonds. Monies in the Prepayment Account shall be used to redeem Bonds on the redemption date specified in the notice to the Fiscal Agent given pursuant to the Agreement. In the event all of the Special Taxes are prepaid in full, the Prepayment Account shall be closed.

Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Agreement, provided however, that so long as monies remain in the Capitalized Interest Account of the Bond Fund, the Fiscal Agent shall first

withdraw from such Capitalized Interest Account for payment to the Owners of the respective Bonds the interest then due and payable on such Bonds.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on any Series of Bonds, the Fiscal Agent shall withdraw from the respective reserve account within the Reserve Fund established for such Series of Bonds to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Treasurer and Finance Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with the Agreement. Interest earnings and profits resulting from such investment and deposit shall be retained in the Bond Fund to be used for the purposes of such fund.

Deficiency. If ten days before any Interest Payment Date it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Treasurer and Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

If on any Interest Payment Date the Fiscal Agent is unable to pay principal, interest and premium, if any, due on any Interest Payment Date for the Bonds due to insufficient funds in the Bond Fund, or if funds are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds the Fiscal Agent shall notify the Treasurer and Finance Director in writing of such fact, and the Treasurer or Finance Director shall notify CDIAC of such fact within 10 days of such Interest Payment Date. The Fiscal Agent has no obligation under the Agreement to provide notice or disclosure to the Bondowners of insufficient funds or anticipation of deficiency in the Bond Fund.

### **Certain Covenants**

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said

claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice, be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within 5 Business Days of each June 1, the Fiscal Agent shall provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund and the reserve accounts of the Reserve Fund. The receipt of such notice by the Chief Financial Officer shall in no way affect the obligations of the Chief Financial Officer under the following two paragraphs. Upon receipt of such notice, the Chief Financial Officer shall ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the

computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Chief Financial Officer, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of amounts in the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the Special Tax Formula and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, the Special Taxes may be collected in such other manner as the City shall prescribe if necessary to pay the debt service on the Bonds.

Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Yield of the Bonds. In determining the yield of the Bonds to comply with the Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing, without regard to whether or not redemption moneys are received or Bonds are redeemed.

Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Agreement.

## **Investment of Funds**

Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of the Agreement, moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent, shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least 2 Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (vii) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out under the Agreement provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received an Officer's Certificate specifying a specific money market fund and, if no such an Officer's Certificate is so received, the Fiscal Agent shall hold such moneys uninvested and notify the Treasurer or Finance Director that it is doing so until further direction is received from the Treasurer or Finance Director. Subject in all respects to the provisions of the Agreement, moneys in any fund or account created or established by the Agreement and held by the Treasurer or Finance Director shall be invested by the Treasurer or Finance Director in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out under the Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

The Fiscal Agent, Treasurer or Finance Director may act as principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent, the Treasurer or the Finance Director shall incur any liability for losses arising from any investments made pursuant to the Agreement. Any losses arising from any investments made pursuant to the Agreement shall be offset against interest earnings and profits retained in the same fund.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code), shall be acquired, disposed of, and valued (as of the date that valuation is required by the Agreement or the Code) at Fair Market Value. For purposes of any Fair Market Value determination under the Agreement, the Fiscal Agent shall be entitled to conclusively rely on an Officer's Certificate of the City and shall be fully protected in relying thereon. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued by the City at their present value (within the meaning of Section 148 of the Code).

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer under the Agreement, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible

for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Agreement.

## **The Fiscal Agent**

Limited Liability of Fiscal Agent. The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. The Fiscal Agent has no liability regarding the use of the proceeds from the purchase of the Bonds deposited in funds held by the City.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Agreement, including all Officer's Certificates of the City meeting such requirements; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Agreement at the request or direction of any of the Owners pursuant to the Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent shall not be considered in breach of or in default in its obligations under the Agreement or progress in respect thereto in the event of unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent. The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions of the Agreement. The permissive right of the Fiscal Agent to do things enumerated in the Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any Officer's Certificate, notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties and given in accordance with the requirements of the Agreement. The Fiscal Agent may execute any of the powers under the Agreement or perform any duties either directly or by or through agents or attorneys and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the Agreement.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means by an Authorized Officer (or his or her designee) ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate for each person with the authority to provide such Instructions and containing specimen signatures of such persons, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent

cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer (or designee) listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer (or designee). The City shall be responsible for ensuring that only Authorized Officers (or their designees) transmit such Instructions to the Fiscal Agent and that the City is solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under the Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under the Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any costs, claims, expenses or liabilities, including, without limitation, fees and expenses of its attorneys which it may incur in the exercise and performance of its powers and duties under the Agreement which are not due to its negligence or willful misconduct. This obligation of the City shall survive resignation or removal of the Fiscal Agent under the Agreement and payment of the Bonds and discharge of the Agreement.

## **Amendments**

Amendments Permitted. The Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any

Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect, including to effectuate the issuance of Additional Bonds in accordance with the Agreement;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Agreement, or in regard to questions arising under the Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds; or

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Agreement, to take effect when and as provided. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required under the Agreement, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Agreement provided.

If consent of the Owners is required, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as hereinafter provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise above specifically provided) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in the Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Agreement. Upon request, the City shall provide an Officer's Certificate to the Fiscal Agent listing those Bonds which are disqualified pursuant to the Agreement.

Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to the Agreement, the Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Agreement subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in the Agreement shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

## **Defeasance and Discharge**

If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent or other fiduciary, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in certain funds and accounts provided for in the Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent or other fiduciary, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in certain fund and accounts provided for in the Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City (i) under the Maintenance of Tax-Exemption provisions of the Agreement and (ii) to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to the Agreement; and thereafter Special Taxes shall not be payable to the Fiscal Agent.

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## APPENDIX G

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2019 Bonds, payment of principal, interest and other payments on the 2019 Bonds (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Securities (the “Issuer”) nor the fiscal agent appointed with respect to the Securities (the “Agent”) takes any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”) will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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