

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	1 of 19

Policy:

Set forth herein are the goals and policies of the County of Riverside (the "County") concerning the County's use of community facilities districts ("Community Facilities Districts") established pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act") and special assessment districts ("Assessment Districts") established pursuant to the Municipal Improvement Act of 1913 (the "1913 Act") to finance public facilities.

There are three categories of Community Facilities Districts that will be used by the County to finance various types of public facilities. The categories are (a) Traditional Community Facilities Districts ("Traditional CFDs"), (b) Critical Transportation Corridor Improvement Program Community Facilities Districts ("CTCIP CFDs"), and (c) Community Facilities Districts for participants in the Critical Transportation Corridor Improvement Program ("Participant CFDs"). In addition, the County participates in the Statewide Community Infrastructure Program (SCIP).

Following are the County's goals and policies for each of Traditional CFDs, CTCIP CFDs, Participant CFDs, Assessment Districts and SCIP. The goals and policies for Traditional CFDs, CTCIP CFDs and Participant CFDs have been considered and adopted by the County and are intended to meet the requirements of Section 53312.7(a) of the California Government Code (the "Government Code") concerning the County's use of the Act.

The requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Community Facilities Districts and Assessment Districts are set forth in the County's Operations Manual for Land Secured Financing Districts (the "Operations Manual").

I. TRADITIONAL COMMUNITY FACILITIES DISTRICTS

- A. A Traditional CFD is a Community Facilities District, whose entire boundary is not within the boundaries of a CTCIP CFD.

Generally, proceedings for the establishment of a Traditional CFD will be instituted by a petition of landowners, as provided in Section 53318 of the Government Code.

Public facilities to be owned and operated by the County that are financed through Traditional CFDs will, generally, be constructed by or on behalf of the landowners and, upon completion, be acquired by the County with proceeds of the Traditional CFD bonds.

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	2 of 19

A description of Traditional CFDs and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Traditional CFDs are set forth in the Operations Manual.

B. Priorities for Traditional CFD Financing

The priority that various kinds of public facilities will have for financing through the County's use of the Act by means of Traditional CFDs is as follows:

1. Public facilities to be owned and operated by the County that constitute regional infrastructure required to serve proposed development;
2. Other public facilities to be owned and operated by the County for which there is a clearly demonstrated public benefit; and
3. Public facilities to be owned and operated by a public agency other than the County (including school districts).

Traditional CFD financings will not be used to satisfy development fee obligations imposed by the County or another public agency.

C. Credit Quality Requirements for Traditional CFD Bond Issues

1. *Project Viability.* The viability of the development project within a Traditional CFD is a critical component of the credit quality of a Traditional CFD bond issue. Accordingly, the viability of each such development project will be reviewed and evaluated by the County. Under most circumstances, the viability of a development project is enhanced as the project moves further through the development process. Therefore, generally, a Traditional CFD will be established only if tract or parcel maps for the development project to be undertaken therein have been approved by the Board of Supervisors of the County (the "Board of Supervisors").
2. *Statutory Requirements.* The County will require that the credit quality of any Traditional CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met; provided, however, that such requirements shall be modified by replacing the phrase "at least three times" in subdivision (a) of said Section with the phrase "at least four times."
3. *Reserve Fund.* In order to enhance the credit quality of Traditional CFD bond issues, the County will require that each such bond issue be secured by a

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	3 of 19

reserve fund. Generally, each such reserve fund will be required to be funded (with cash or an acceptable reserve surety or other credit facility) in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, or (c) 125% of the average annual debt service on the bonds of such issue. Any reserve surety or other credit facility funding such a reserve fund will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.

4. *Credit Enhancement.* Where a substantial amount of the property (as determined by the County) within a Traditional CFD is undeveloped, the County will generally require credit enhancement to increase the credit quality of such Traditional CFD bond issue. Such credit enhancement will usually be the form of an irrevocable letter of credit, will be required to be in an amount not less than two times the amount of annual special taxes levied on undeveloped property and will be required to remain in effect so long as a substantial amount of the property within the Traditional CFD remains undeveloped. Such letter of credit will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.
5. *Capitalized Interest.* Generally, the amount of capitalized interest funded for Traditional CFD bond issues will be limited to the amount necessary to pay debt service on the bonds until the first interest payment date occurring after the levy of the special taxes may be included in the real property tax roll.
6. *Bond Structure.* The term to maturity of any Traditional CFD bonds shall not exceed the maximum term specified in the Act. Principal amortization of Traditional CFD bonds shall commence no later than the end of the second bond year. Traditional CFD bonds shall be structured such that, once principal amortization thereof has commenced, debt service thereon will be substantially level.

D. Disclosure to Prospective Property Purchasers in Traditional CFDs

In order to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under the Act, in connection with Traditional CFDs, the County will require that the requirements of disclosure to prospective property purchasers contained in the Act, including, but not limited to, Sections

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	4 of 19

53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5 of the Government Code, be met.

E. Equity of Special Tax Formulas and Maximum Special Taxes for Traditional CFDs

1. *Reasonable Basis of Apportionment.* Special taxes must be allocated and apportioned on a reasonable basis to all categories and classes of property (other than exempt property) within the Traditional CFD. Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, are used for a public purpose such as open space or wetlands, or are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easement.
2. *Total Tax Burden.* The total tax burden (that is, the anticipated maximum annual Traditional CFD special tax, together with *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a Traditional CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Rate and Method of Apportionment.* The rate and method of apportionment for Traditional CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all Traditional CFD bonds, and (b) reasonable and necessary annual administrative expenses of the Traditional CFD. Additionally, the rate and method of apportionment may be structured so as to produce amounts sufficient to fund (a) any amounts required to establish or replenish any reserve fund established for a Traditional CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the Traditional CFD, (c) the accumulation of funds reasonably required for future debt service on Traditional CFD bonds, (d) amounts equal to projected delinquencies in special tax payments, (e) remarketing, credit enhancement or liquidity fees, and (f) any other costs or payments permitted by law.

In any case, the Traditional CFD special tax rate and method of apportionment must be structured such that the projected maximum special tax that could be levied in any fiscal year would produce special tax revenues at least equal to (a) 110% of projected annual debt service on all Traditional CFD bonds for the calendar year commencing in such fiscal year, plus (b)

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:

Number

Page

Land Secured Financing Districts

B-12

5 of 19

projected administrative expenses of the Traditional CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for Traditional CFD special taxes will be required to include a back-up tax so that changes in development within the Traditional CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

4. *Increases in Special Tax.* The maximum special tax for any parcel within a Traditional CFD shall not escalate. The increase in the special tax levied on any parcel within a Traditional CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.
5. *Prepayment of Special Tax.* Generally, the special tax rate and method of apportionment for a Traditional CFD will be structured so as to allow the prepayment of special taxes by property owners.

F. Appraisals for Traditional CFD Bond Issues

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the County's use of the Act for Traditional CFDs are as set forth in the Appraisal Standards for Land Secured Financings published by the California Debt Advisory Commission and dated May 1994 (the "CDIAC Guidelines"), with the following modifications:

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available;
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared; and
4. The special tax lien need not be computed as the present value of the future tax payments if there is a prepayment mechanism or other appropriate measure.

Notwithstanding the foregoing, if there is a conflict between the definitions, standards or assumptions in the CDIAC Guidelines and the corresponding definitions, standards or assumptions in the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation ("USPAP"), USPAP shall govern.

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	6 of 19

G. Disclosure for Traditional CFD Bond Issues

1. *Initial Disclosure.* Each owner of property within a Traditional CFD that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Traditional CFD bonds will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds such information as may be required for the County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
2. *Continuing Disclosure.* Each owner of property within a Traditional CFD, and each subsequent owner of property therein, that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Traditional CFD bonds will be required to provide such information, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

**II. CRITICAL TRANSPORTATION CORRIDOR IMPROVEMENT PROGRAM
COMMUNITY FACILITIES DISTRICTS**

- A. A CTCIP CFD is a Community Facilities District established to finance a major transportation facility in an area that has been designated a critical transportation corridor (a “Critical Transportation Corridor”) by the Board of Supervisors.

Proceedings for the establishment of a CTCIP CFD will often be instituted by the Board of Supervisors on its own initiative. Such proceedings may also be instituted by a petition of landowners, as provided in Section 53318 of the Government Code.

Major transportation facilities to be owned and operated by the County that are financed through CTCIP CFDs will be constructed by the County.

Owners of property included in a CTCIP CFD will receive an appropriate credit against the Transportation Uniform Mitigation Fee (TUMF) and/or, if imposed, the Road and Bridge Benefit District Fee applicable to such property.

A description of the Critical Transportation Corridor Improvement Program and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for CTCIP CFDs are set forth in the Operations Manual.

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	7 of 19

B. Priorities for CTCIP CFD Financing

Major transportation facilities in Critical Transportation Corridors, which facilities are to be owned or operated by the County, are the only kinds of public facilities that will be financed through the County's use of the Act by means of CTCIP CFDs.

Other public facilities associated with a major transportation facility may be financed by means of a CTCIP CFD if, at the discretion of the County, financing such public facility would provide a public benefit.

C. Credit Quality Requirements for CTCIP CFD Bond Issues

1. *Statutory Requirements.* The County will require that the credit quality of any CTCIP CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met.
2. *Reserve Fund.* In order to enhance the credit quality of CTCIP CFD bond issues, the County will require that each such bond issue be secured by a reserve fund. Generally, each such reserve fund will be required to be funded (with cash or an acceptable reserve surety or other credit facility) in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, or (c) 125% of the average annual debt service on the bonds of such issue. Any reserve surety or other credit facility funding such a reserve fund will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.
3. *Capitalized Interest.* The amount of capitalized interest funded for an issue of CTCIP CFD bonds may not exceed any maximum specified in the Act.
4. *Bond Structure.* The term to maturity of any CTCIP CFD bonds shall not exceed the maximum term specified in the Act. Once principal amortization on a CTCIP CFD bond issue has commenced, debt service thereon may escalate by no more than 2% per bond year.

D. Disclosure to Prospective Property Purchasers in CTCIP CFDs

In order to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under the Act, in connection with CTCIP CFDs, the County will require that the requirements of disclosure to prospective property

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	8 of 19

purchasers contained in the Act, including, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5 of the Government Code, be met.

E. Equity of Special Tax Formulas and Maximum Special Taxes for CTCIP CFDs

1. *Reasonable Basis of Apportionment.* Special taxes must be allocated and apportioned on a reasonable basis to all categories and classes of property (other than exempt property) within the CTCIP CFD. Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, are used for a public purpose such as open space or wetlands, or are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easement.
2. *Total Tax Burden.* The total tax burden (that is, the anticipated maximum annual CTCIP CFD special tax, together with ad valorem property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a CTCIP CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Rate and Method of Apportionment.* The rate and method of apportionment for CTCIP CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all CTCIP CFD bonds, and (b) reasonable and necessary annual administrative expenses of the CTCIP CFD. Additionally, the rate and method of apportionment may be structured so as to produce amounts sufficient to fund (a) any amounts required to establish or replenish any reserve fund established for a CTCIP CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the CTCIP CFD, (c) the accumulation of funds reasonably required for future debt service on CTCIP CFD bonds, (d) amounts equal to projected delinquencies in special tax payments, (e) remarketing, credit enhancement or liquidity fees, and (f) any other costs or payments permitted by law.

In any case, the CTCIP CFD special tax rate and method of apportionment must be structured such that the projected maximum special tax that could be levied in any fiscal year would produce special tax revenues at least equal to (a) 100% of projected annual debt service on all CTCIP CFD bonds for the calendar year commencing in such fiscal year, plus (b) projected administrative

**COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	9 of 19

expenses of the CTCIP CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for CTCIP CFD special taxes will be required to include a back-up tax so that changes in development within the CTCIP CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

4. *Increases in Special Tax.* The annual increase, if any, in the maximum special tax for any parcel within a CTCIP CFD may not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel within a CTCIP CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.
5. *Prepayment of Special Tax.* Generally, the special tax rate and method of apportionment for a CTCIP CFD will be structured so as to allow the prepayment of special taxes by property owners.

F. Appraisals for CTCIP CFD Bond Issues

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the County's use of the Act for CTCIP CFDs are as set forth in the CDIAAC Guidelines, with the following modifications:

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available;
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared; and
4. The special tax lien need not be computed as the present value of the future tax payments if there is a prepayment mechanism or other appropriate measure.

Notwithstanding the foregoing, if there is a conflict between the definitions, standards or assumptions in the CDIAAC Guidelines and the corresponding definitions, standards or assumptions in USPAP, USPAP shall govern.

G. Disclosure for CTCIP CFD Bond Issues

1. *Initial Disclosure.* Each owner of property within a CTCIP CFD that has not reached its planned development stage and that will be responsible for a

**COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	10 of 19

substantial portion (as determined by the County) of annual debt service on an issue of CTCIP CFD bonds will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds such information as may be required for the County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.

2. *Continuing Disclosure.* Each owner of property within a CTCIP CFD, and each subsequent owner of property therein, that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of CTCIP CFD bonds will be required to provide such information, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

III. COMMUNITY FACILITIES DISTRICTS FOR PARTICIPANTS IN THE CRITICAL TRANSPORTATION CORRIDOR IMPROVEMENT PROGRAM

- A. A Participant CFD is a Community Facilities District whose entire boundary is within the boundaries of a CTCIP CFD.

Generally, proceedings for the establishment of a Participant CFD will be instituted by a petition of landowners, as provided in Section 53318 of the Government Code.

Public facilities to be owned and operated by the County that are financed through Participant CFDs will, generally, be constructed by or on behalf of the landowners and, upon completion, be acquired by the County with proceeds of the Participant CFD bonds.

A description of Participant CFDs and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Participant CFDs are set forth in the Operations Manual.

- B. Priorities for Participant CFD Financing

The priority that various kinds of public facilities will have for financing through the County's use of the Act by means of Participant CFDs is as follows:

1. Public facilities to be owned and operated by the County that constitute regional infrastructure required to serve proposed development;

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	11 of 19

2. Other public facilities to be owned and operated by the County for which there is a clearly demonstrated public benefit; and
3. Public facilities to be owned and operated by a public agency other than the County (including school districts), including such public facilities financed *in lieu* of the payment of development fees imposed by such public agency.
4. Development fee obligation imposed by public agencies other than the County.

C. Credit Quality Requirements for Participant CFD Bond Issues

1. *Project Viability.* The viability of the development project within a Participant CFD is a critical component of the credit quality of a Participant CFD bond issue. Accordingly, the viability of each such development project will be reviewed and evaluated by the County. Under most circumstances, the viability of a development project is enhanced as the project moves further through the development process. Therefore, generally, a Participant CFD will be established only if tract or parcel maps for the development project to be undertaken therein have been approved by the Board of Supervisors.
2. *Statutory Requirements.* The County will require that the credit quality of any Participant CFD bond issue be such that the requirements of Section 53345.8 of the Government Code will be met.
3. *Reserve Fund.* In order to enhance the credit quality of Participant CFD bond issues, the County will require that each such bond issue be secured by a reserve fund. Generally, each such reserve fund will be required to be funded (with cash or an acceptable reserve surety or other credit facility) in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, and (c) 125% of the average annual debt service on the bonds of such issue. Any reserve surety or other credit facility funding such a reserve fund will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.
4. *Credit Enhancement.* The County may require credit enhancement to increase the credit quality of a Participant CFD bond issue, particularly where the value-to-lien ratio of a significant portion of the parcels in such Participant CFD is less than three-to-one. Such credit enhancement will usually be the form of an irrevocable letter of credit, will be required to be in an amount not less than two times the amount of annual special taxes levied on such parcels

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	12 of 19

and will be required to remain in effect until such parcels are developed or the value thereof has otherwise been sufficiently increased. Such letter of credit will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least "A" by Moody's Investors Service or Standard & Poor's Ratings Service.

5. *Capitalized Interest.* The amount of capitalized interest funded for an issue of Participant CFD bonds may not exceed any maximum specified in the Act.
6. *Bond Structure.* The term to maturity of any Participant CFD bonds shall not exceed the maximum term specified in the Act. Once principal amortization on a Participant CFD bond issue has commenced, debt service thereon may escalate by no more than 2% per bond year.

D. Disclosure to Prospective Property Purchasers in Participant CFDs

In order to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under the Act, in connection with Participant CFDs, the County will require that the requirements of disclosure to prospective property purchasers contained in the Act, including, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5 of the Government Code, be met.

E. Equity of Special Tax Formulas and Maximum Special Taxes for Participant CFDs

1. *Reasonable Basis of Apportionment.* Special taxes must be allocated and apportioned on a reasonable basis to all categories and classes of property (other than exempt property) within the Participant CFD. Exemptions from the special tax may be given to parcels which are publicly-owned, are held by property owners associations, are used for a public purpose such as open space or wetlands, or are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easement.
2. *Total Tax Burden.* The total tax burden (that is, the anticipated maximum annual Participant CFD special tax, together with *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in a Participant CFD shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:

Number

Page

Land Secured Financing Districts

B-12

13 of 19

3. *Rate and Method of Apportionment.* The rate and method of apportionment for Participant CFD special taxes must be structured so as to produce special tax revenues sufficient to pay (a) debt service on all Participant CFD bonds, and (b) reasonable and necessary annual administrative expenses of the Participant CFD. Additionally, the rate and method of apportionment may be structured so as to produce amounts sufficient to fund (a) any amounts required to establish or replenish any reserve fund established for a Participant CFD bond issue, (b) amounts to pay directly the costs of public facilities authorized to be financed by the Participant CFD, (c) the accumulation of funds reasonably required for future debt service on Participant CFD bonds, (d) amounts equal to projected delinquencies in special tax payments, (e) remarketing, credit enhancement or liquidity fees, and (f) any other costs or payments permitted by law.

In any case, the Participant CFD special tax rate and method of apportionment must be structured such that the projected maximum special tax that could be levied in any fiscal year would produce special tax revenues at least equal to (a) 110% of projected annual debt service on all Participant CFD bonds for the calendar year commencing in such fiscal year, plus (b) projected administrative expenses of the Participant CFD for the calendar year commencing in such fiscal year. Generally, the rate and method of apportionment for Participant CFD special taxes will be required to include a back-up tax so that changes in development within the Participant CFD would not result in the inability to levy special taxes that would produce special tax revenues in such amounts.

4. *Increases in Special Tax.* The annual increase, if any, in the maximum special tax for any parcel within a Participant CFD may not exceed any maximum specified in the Act. The increase in the special tax levied on any parcel within a Participant CFD as a consequence of delinquency or default by the owner on any other parcel may not exceed any maximum specified in the Act.
5. *Prepayment of Special Tax.* Generally, the special tax rate and method of apportionment for a Participant CFD will be structured so as to allow the prepayment of special taxes by property owners.

F. Appraisals for Participant CFD Bond Issues

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with the County's use of the Act for Participant CFDs are as set forth in the CDIAC Guidelines, with the following modifications:

1. The independent review appraiser is an option, and not a requirement;

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	14 of 19

2. The comparable sales method may be used whenever there is sufficient data available;
3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared; and
4. The special tax lien need not be computed as the present value of the future tax payments if there is a prepayment mechanism or other appropriate measure.

Notwithstanding the foregoing, if there is a conflict between the definitions, standards or assumptions in the CDIAAC Guidelines and the corresponding definitions, standards or assumptions in USPAP, USPAP shall govern.

G. Disclosure for Participant CFD Bond Issues

1. *Initial Disclosure.* Each owner of property within a Participant CFD that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Participant CFD bonds will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds such information as may be required for the County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
2. *Continuing Disclosure.* Each owner of property within a Participant CFD, and each subsequent owner of property therein, that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Participant CFD bonds will be required to provide such information, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

IV. ASSESSMENT DISTRICTS

- A. An Assessment District is a special assessment district established pursuant to the 1913 Act. Generally, Assessment District bonds will be issued pursuant to the Improvement Bond Act of 1915 (the "1915 Act").

Generally, proceedings for the establishment of an Assessment District will be instituted by a petition of landowners.

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	15 of 19

Public facilities to be owned and operated by the County that are financed through Assessment Districts will, generally, be constructed by or on behalf of the landowners and, upon completion, be acquired by the County with proceeds of the Assessment District bonds.

A description of Assessment Districts and the requirements and procedures relating to applications, petitions, deposits, approvals and other administrative matters for Assessment Districts are set forth in the Operations Manual.

B. Priorities for Assessment District Financing

The priority that various kinds of public facilities will have for financing by means of Assessment Districts is as follows:

1. Public facilities to be owned and operated by the County for which there is a clearly demonstrated public benefit; and
2. Public facilities to be owned and operated by a public agency other than the County.

Assessment District financings will not be used to satisfy development fee obligations imposed by the County or another public agency.

C. Credit Quality Requirements for Assessment District Bond Issues

1. *Project Viability.* The viability of the development project within an Assessment District is a critical component of the credit quality of an Assessment District bond issue. Accordingly, the viability of each such development project will be reviewed and evaluated by the County. Under most circumstances, the viability of a development project is enhanced as the project moves further through the development process. Therefore, generally, an Assessment District will be established only if tract or parcel maps for the development project to be undertaken therein have been approved by the Board of Supervisors.
2. *Value-to-Lien Requirements.* The County will require that the credit quality of any Assessment District bond issue be such that the requirements of Section 53345.8 of the Government Code will be met (said Section to be read as if references therein to the bonds to be sold are references to such Assessment District bonds and as if references therein to policies adopted pursuant to the Act are references to the policies set forth herein for Assessment Districts); provided, however, that such requirements shall be modified by replacing the

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	16 of 19

phrase “at least three times” in subdivision (a) of said Section with the phrase “at least four times.”

3. *Reserve Fund.* In order to enhance the credit quality of Assessment District bond issues, the County will require that each such bond issue be secured by a reserve fund. Generally, each such reserve fund will be required to be funded (with cash or an acceptable reserve surety or other credit facility) in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, and (c) 125% of the average annual debt service on the bonds of such issue. Any reserve surety or other credit facility funding such a reserve fund will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least “A” by Moody’s Investors Service or Standard & Poor’s Ratings Service.
4. *Credit Enhancement.* Where a substantial amount of the property (as determined by the County) within an Assessment District is undeveloped, the County will generally require credit enhancement to increase the credit quality of such Assessment District bond issue. Such credit enhancement will usually be the form of an irrevocable letter of credit, will be required to be in an amount not less than two times the amount of annual assessment installments levied on undeveloped property and will be required to remain in effect so long as a substantial amount of the property within the Assessment District remains undeveloped. Such letter of credit will generally be required to be issued or guaranteed by an entity, the long term unsecured obligations of which are rated at least “A” by Moody’s Investors Service or Standard & Poor’s Ratings Service.
5. *Capitalized Interest.* Generally, the amount of capitalized interest funded for Assessment District bond issues will be limited to the amount necessary to pay debt service on the bonds until first interest payment date occurring after the assessment installments may be included in the real property tax roll.
6. *Bond Structure.* The term to maturity of any Assessment District bonds shall not exceed the maximum term specified in the 1915 Act. Assessment District bonds shall be structured such that, once principal amortization thereof has commenced, debt service thereon will be substantially level.

D. Disclosure to Prospective Property Purchasers in Assessment Districts

In order to ensure that prospective property purchasers are fully informed about their assessment obligations, in connection with Assessment Districts, the County

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	17 of 19

will require that the requirements of disclosure to prospective property purchasers contained in Section 53754 of the Government Code be met.

E. Equity of Assessments and Maximum Assessments for Assessment Districts

1. *Direct and Special Benefit.* The apportionment of the assessments among the parcels included within an Assessment District shall be base upon the direct and special benefit each parcel receives from the public facilities to be financed.
2. *Total Tax Burden.* The total tax burden (that is, the annual Assessment District assessment installments, together with *ad valorem* property taxes, any other special assessments levied on the property, special taxes for any overlapping community facilities district, and any other taxes, fees and charges payable from and secured by the property) on any residential owner-occupied parcel in an Assessment District shall not exceed 2% of the estimated base sales price of such parcel upon completion of the public and private improvements relating thereto.
3. *Administrative Expenses.* The assessments levied in an Assessment District shall include an amount for administrative expenses relating to the Assessment District, including expenses necessary for the enrollment and collection of the annual assessment installments and Assessment District bond administration.
4. *Assessment Installments.* The annual assessment installments for assessments levied on a parcel in an Assessment District shall be substantially equal, except that a variation for administrative expenses shall be allowed.

F. Appraisals for Assessment District Bond Issues

Except as provided below, the definitions, standards and assumptions to be used in appraisals required in connection with Assessment District bond issues are as set forth in the CDIAAC Guidelines, with the following modifications:

1. The independent review appraiser is an option, and not a requirement;
2. The comparable sales method may be used whenever there is sufficient data available; and

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	18 of 19

3. The appraiser should assume the presence of the public infrastructure to be financed with the bonds in connection with which the appraisal is being prepared.

Notwithstanding the foregoing, if there is a conflict between the definitions, standards or assumptions in the CDIAC Guidelines and the corresponding definitions, standards or assumptions in USPAP, USPAP shall govern.

G. Disclosure for Assessment District Bond Issues

1. *Initial Disclosure.* Each owner of property within an Assessment District that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Assessment District bonds will be required to provide for inclusion in the official statement or other offering materials distributed in connection with the offering and sale of such bonds such information as may be required for the County to comply with, satisfy any requirements of, or avoid any liability under, any applicable federal or state securities laws.
2. *Continuing Disclosure.* Each owner of property within an Assessment District, and each subsequent owner of property therein, that has not reached its planned development stage and that will be responsible for a substantial portion (as determined by the County) of annual debt service on an issue of Assessment District bonds will be required to provide such information, on an ongoing basis, as may be required for the underwriter of such bonds to satisfy the requirements imposed on it pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

V. STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM (SCIP)

- A. The County shall allow participation in SCIP for those landowners whose entire property is not included in a CTCIP CFD or any planning area so identified by the County. Landowners will be allowed to finance development fees which, at the discretion of the County, would provide a public benefit.
- B. Conformance to County Policy. Only those applications meeting the County's land secured requirements for Assessment Districts contained in this policy will be accepted.
- C. Disclosure for SCIP Bond Issues. In order to ensure that prospective property purchasers are fully informed about their assessment obligations the County will

COUNTY OF RIVERSIDE, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject:	<u>Number</u>	<u>Page</u>
Land Secured Financing Districts	B-12	19 of 19

require that the requirements of disclosure to prospective property purchasers contained in Section 53754 of the Government Code be met.

- D. A description of the County SCIP and the requirements and procedures relating to applications, deposits, approvals and other administrative matters for the County SCIP are set forth in the SCIP Procedural Manual. The County Executive Office, with review and concurrence of the Debt Advisory Committee, shall prepare and maintain the SCIP Procedural Manual, providing for the implementation of Section V of this policy.

VI. MINIMUM STANDARDS; WAIVERS AND AMENDMENT

The policies set forth herein reflect the minimum standards under which the County will make use of Community Facilities Districts and Assessment Districts to finance public facilities. The County may, in its discretion, require additional measures and procedures, enhanced security and higher standards in particular cases.

The County may, in its discretion and to the extent permitted by law, waive any of the policies set forth herein in particular cases. Exceptions to such policies will be considered that are consistent with current public financing practices when structuring bond refundings and workouts, when considering unique bond structures (e.g., escrowed bond proceeds or variable rate bonds) or when additional credit enhancements (e.g., bond insurance or credit supports) are present.

The goals and policies set forth herein may be amended at any time and from time to time by the County.

Reference:

B-12

Minute Order 3.52 dated 07/27/1993

Minute Order 3.15 dated 11/08/1994

Minute Order 3.2 dated 02/09/1999 (B-12 Eff. Except as Superseded by Policy B-12a 1-11-98)

Minute Order 3.27 dated 12/09/2003 (Replaces Prior B-12)

Minute Order 3.4 dated 11/14/06 (Replaces Prior B-12)

B-12a

Minute Order 3.5 dated 11/10/1998

Minute Order 3.2 dated 02/09/1999

Minute Order 3.27 dated 12/09/2003 (B-12 approved replaces B-12a)