

ORDINANCE NO. 770

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RANCHO CUCAMONGA, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2006-02 (AMADOR ON ROUTE 66) AUTHORIZING THE LEVY OF A SPECIAL TAX IN SUCH COMMUNITY FACILITIES DISTRICT

WHEREAS, the CITY COUNCIL of the CITY OF RANCHO CUCAMONGA, CALIFORNIA (the "City Council"), has initiated proceedings, held a public hearing, conducted an election and received a favorable vote from the qualified electors authorizing the levy of special taxes in a community facilities district, all as authorized pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"). This Community Facilities District is designated as COMMUNITY FACILITIES DISTRICT NO. 2006-02 (AMADOR ON ROUTE 66) (the "District").

The City Council of the City of Rancho Cucamonga, California, acting as the legislative body of Community Facilities District No. 2006-02 (Amador on Route 66), does hereby ordain as follows:

SECTION 1: This City Council does, by the passage of this ordinance, authorize the levy of special taxes on taxable properties located in the District pursuant to the Rate and Method of Apportionment of Special Taxes as set forth in Exhibit "A" attached hereto and incorporated herein by this reference (the "Rate and Method").

SECTION 2: This City Council, acting as the legislative body of the District, is hereby further authorized, by Resolution, to annually determine the special tax to be levied within the District for the then current tax year or future tax years; provided, however, the special tax to be levied shall not exceed the maximum special tax authorized to be levied pursuant to the Rate and Method.

SECTION 3: The special taxes herein authorized to be levied, to the extent possible, shall be collected in the same manner as ad valorem property taxes and shall be subject to the same penalties, procedure, sale and lien priority in any case of delinquency as applicable for ad valorem taxes; provided, however, the District may utilize a direct billing procedure for any special taxes that cannot be collected on the County tax roll or may, by resolution, elect to collect the special taxes at a different time or in a different manner if necessary to meet its financial obligations.

SECTION 4: The special taxes authorized to be levied shall be secured by the lien imposed pursuant to Sections 3114.5 and 3115.5 of the Streets and Highways Code of the State of California, which lien shall be a continuing lien and shall secure each levy of the special tax. The lien of the special tax shall continue in force and effect until the special tax obligation is prepaid, permanently satisfied and canceled in accordance with Section 53344 of the Government Code of the State of California or until the special tax ceases to be levied by the City Council in the manner provided in Section 53330.5 of said Government Code.

SECTION 5: This Ordinance shall be effective thirty (30) days after its adoption. Within fifteen (15) days after its adoption, the City Clerk shall cause this Ordinance to be published in a newspaper of general circulation in the City pursuant to the provisions of Government Code Section 36933.

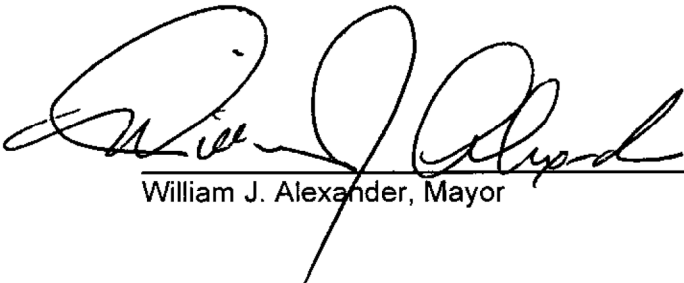
PASSED, APPROVED, AND ADOPTED this 1st day of November 2006.

AYES: Alexander, Gutierrez, Spagnolo, Williams

NOES: None

ABSENT: Michael

ABSTAINED: None



William J. Alexander, Mayor

ATTEST:



Debra J. Adams, CMC, City Clerk

I, **DEBRA J. ADAMS, CITY CLERK** of the City of Rancho Cucamonga, California, do hereby certify that the foregoing Ordinance was introduced at a Regular Meeting of the Council of the City of Rancho Cucamonga held on the 18th day of October 2006, and was passed at a Regular Meeting of the City Council of the City of Rancho Cucamonga held on the 1st day November 2006.

Executed this 2nd day of November 2006, at Rancho Cucamonga, California.



Debra J. Adams, CMC, City Clerk

EXHIBIT A

**RATE AND METHOD OF APPORTIONMENT FOR
CITY OF RANCHO CUCAMONGA
COMMUNITY FACILITIES DISTRICT NO. 2006-02,
(AMADOR ON ROUTE 66)**

**RATE AND METHOD OF APPORTIONMENT
FOR CITY OF RANCHO CUCAMONGA
COMMUNITY FACILITIES DISTRICT NO. 2006-02
(AMADOR ON ROUTE 66)**

A Special Tax hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in City of Rancho Cucamonga Community Facilities District No. 2006-02 (Amador on Route 66) ("CFD No. 2006-02") and collected each Fiscal Year commencing in Fiscal Year 2006-07, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2006-02, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on or determined from the applicable Assessor's Parcel Map. Notwithstanding the foregoing, the Acreage attributable to a Condominium shall be computed by the CFD Administrator by dividing the total Acreage for the Final Subdivision in which the Condominium is located, less the Acreage for any Property Owner Association Property and/or Public Property, by the total number of Condominiums to be constructed within such Final Subdivision as determined from the applicable Condominium Plan.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-02: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement; the costs to the City, CFD No. 2006-02 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-02 or any designee thereof of complying with disclosure requirements applicable to CFD No. 2006-02 and/or the City associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-02 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2006-02 for any other administrative purposes of CFD No. 2006-02, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel, including but not limited to Condominiums, to which an Assessor's parcel number is assigned as determined from an Assessor's Parcel Map or the applicable assessment roll.

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

"Authorized Facilities" means those improvements eligible to be financed by CFD No. 2006-02 under the Act and authorized to be financed pursuant to the Resolution of Formation.

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

"CFD No. 2006-02" means City of Rancho Cucamonga Community Facilities District No. 2006-02 (Amador on Route 66).

"CFD No. 2006-02 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by or on behalf of CFD No. 2006-02 under the Act.

"City" means the City of Rancho Cucamonga.

"Condominium" means a unit meeting the statutory definition of a condominium contained in the California Civil Code, Section 1351, and for which a condominium plan has been recorded pursuant to California Civil Code, Section 1352.

"Condominium Plan" means a condominium plan as set forth in the California Civil Code, Section 1352.

"Council" means the City Council of the City of Rancho Cucamonga, acting as the legislative body of CFD No. 2006-02.

"County" means the County of San Bernardino.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which a building permit for new construction was issued after January 1, 2006 and on or before March 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, provided that a Final Subdivision for such Assessor's Parcel was recorded on or before January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

"Final Subdivision" means a subdivision of property by recordation of a (i) final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California

Government Code Section 64410 et seq.) that creates individual lots for which building permits may be issued, or (ii) lot line adjustment approved by the City.

"Fiscal Agent" means the trustee or fiscal agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the fiscal agent agreement, bond indenture, resolution or other instrument pursuant to which CFD No. 2006-02 Bonds are issued, as modified, amended and/or supplemented from time to time.

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

"Land Use Class" means any of the classes listed in Table 1 below.

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

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued by the City for the purpose of constructing one or more non-residential facilities, and which is not otherwise Residential Property.

"Outstanding Bonds" means all CFD No. 2006-02 Bonds which are deemed to be outstanding under the Fiscal Agent Agreement.

"Property Owner Association Property" means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 2006-02 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the January 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed, irrevocably dedicated, or irrevocably offered to a property owner's association, including any master or sub-association, provided such conveyance, dedication, or offer is submitted to the CFD Administrator by January 1 preceding the Fiscal Year for which the Special Tax is being levied. Notwithstanding the preceding, Property Owner Association Property shall not include any property on which Condominiums are or will be located.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" shall be similarly applied to other categories of Taxable Property as listed in Section E below.

"Public Property" means property within the boundaries of CFD No. 2006-02 owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public right-of-

way has been granted to, the federal government, the State of California, the County of San Bernardino, the City of Rancho Cucamonga, or any local government or other public agency, provided that any property owned by a public agency and leased by such public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

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

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued by the City for the purpose of constructing one or more residential dwelling units.

"Resolution of Formation" means the resolution of formation adopted pursuant to Government Code Section 53325.1 for CFD No. 2006-02.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 2006-02 to fund the Special Tax Requirement.

"Special Tax Buydown" means a mandatory bond principal buydown payment made by a property owner to reduce the amount of Outstanding Bonds to compensate for a loss of Special Tax revenues resulting from the construction of fewer residential dwelling units, smaller residential dwelling units, or a modified amount of non-residential Acreage, as determined in accordance with Section D below.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2006-02 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 2006-02 Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2006-02 Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property; (vi) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Fiscal Agent Agreement.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-02 which are not exempt from the Special Tax pursuant to law or Section F below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt from the levy of the Special Tax pursuant to the provisions of Section F below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt from the levy of the Special Tax pursuant to the provisions of Section F below.

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

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2006-02 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and E below. Residential Property shall be assigned to Land Use Classes 1 through 4, as listed in Table 1 below, and Non-Residential Property shall be assigned to Land Use Class 5.

The Maximum Special Tax for each Assessor's Parcel of Residential Property shall be based on the Residential Floor Area of the residential dwelling unit(s) located on such Assessor's Parcel. The Maximum Special Tax for each Assessor's Parcel of Non-Residential Property shall be based on the Acreage of such Assessor's Parcel. The Maximum Special Tax for any Assessor's Parcel of Developed Property containing more than one Land Use Class shall be determined pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Developed Property

(a) Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property is shown below in Table 1.

TABLE 1

**Maximum Special Tax for Developed Property in
Community Facilities District No. 2006-02**

Land Use Class	Description	Residential Floor Area	Maximum Special Tax
1	Residential Property	More than 1,850 SF	\$2,816 per unit
2	Residential Property	1,601 – 1,850 SF	\$2,697 per unit
3	Residential Property	1,351 – 1,600 SF	\$2,469 per unit
4	Residential Property	Less than 1,351 SF	\$2,241 per unit
5	Non-Residential Property	NA	\$64,747 per Acre

(b) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on such an Assessor's Parcel shall be the sum of the Maximum Special Taxes for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage, or equivalent entitlement, designated for each land use as determined by reference to the site plan approved by the City for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property

(a) Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property shall be \$71,889 per Acre.

D. SPECIAL TAX BUYDOWN

All of the requirements of this Section D, which describes the need for a Special Tax Buydown that may result from a change in development as determined pursuant to this Section D, shall only apply after the issuance of the first series of CFD No. 2006-02 Bonds. Prior to the issuance of the first series of CFD No. 2006-02 Bonds, the terms of the Special Tax Buydown shall not apply.

The following additional definitions apply to this Section D:

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

"Letter of Compliance" means a letter from the CFD Administrator allowing the issuance of building permits based on the prior submittal of a request for Letter of Compliance by a property owner.

"Special Tax Buydown Requirement" means the total amount of Special Tax Buydown necessary to be prepaid in order to permit the issuance of building permits listed in a request for Letter of Compliance, as calculated under this Section D.

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

1. Request for Letter of Compliance

After the issuance of the first series of CFD No. 2006-02 Bonds, a property owner shall, as a precondition to the issuance of a building permit for construction of any residential and/or non-residential development for a specific Assessor's Parcel or lot, submit a Letter of Compliance for the construction of the development on such Assessor's Parcel or lot. If a Letter of Compliance has not yet been issued, the property owner must first request a Letter of Compliance from the CFD Administrator. The request from the property owner shall contain a list of all building permits for which the property owner is requesting a Letter of Compliance, which may exceed the number of building permit issuances being applied for at that time. The property owner shall also submit the Assessor's Parcels or tract and lot numbers on which the construction is to take place, and the Residential Floor Area (for each residential dwelling unit) or the Acreage (for each non-residential parcel) associated with each prospective building permit.

2. Issuance of Letter of Compliance

Upon the receipt of a request for a Letter of Compliance, the CFD Administrator shall assign each building permit identified in such request to Land Use Classes 1 through 5 as listed in Table 2 below based on the type of use and, if applicable, the Residential Floor Area identified for each such building permit. If the CFD Administrator determines (i) that the number of building permits requested for each Land Use Class, plus those building permits previously issued for each Land Use Class, will not cause the total number of residential dwelling units or non-residential Acreage within any such Land Use Class to exceed the number of residential dwelling units or Acreage for such Land Use Class identified in Table 2 below, and (ii) that the total number of residential dwelling units anticipated to be constructed pursuant to the current development plan for CFD No. 2006-02 shall not be less than 99 and the amount of non-residential Acreage will not be more than 0.0 Acres, then a Letter of Compliance shall be submitted to the City and/or property owner by the CFD Administrator approving the issuance of the requested building permits for the subject

property, and such subject property shall no longer be subject to the terms of the Special Tax Buydown. This Letter of Compliance shall be submitted to the City and/or property owner by the CFD Administrator within ten days of the submittal of the request for Letter of Compliance by the property owner. However, should (i) the building permits requested, plus those previously issued, cause the total number of residential dwelling units or non-residential Acreage within any such Land Use Class to exceed the number of residential dwelling units or non-residential Acreage for such Land Use Class identified in Table 2 below, or (ii) the CFD Administrator determine that changes in the development plan may cause a decrease in the number of residential dwelling units within CFD No. 2006-02 to below 99 residential dwelling units or an increase in the amount of non-residential Acreage to above 0.0 Acres, then a Letter of Compliance will not be issued and the CFD Administrator will be directed to determine if a Special Tax Buydown shall be required. The number of residential dwelling units and non-residential Acreage, as listed in Table 2 below, may be updated by the CFD Administrator prior to the issuance of the first series of CFD No. 2006-02 Bonds.

TABLE 2

**Expected Residential Dwelling Units per Land Use Class and Non-Residential Acreage
Community Facilities District No. 2006-02**

Land Use Class	Description	Residential Floor Area	Number of Units/Acres
1	Residential Property	More than 1,850 SF	33 units
2	Residential Property	1,601 – 1,850 SF	33 units
3	Residential Property	1,351 – 1,600 SF	0 units
4	Residential Property	Less than 1,351 SF	33 units
5	Non-Residential Property	NA	0.00 Acres

3. Calculation of Special Tax Buydown

If a Special Tax Buydown calculation is required as determined by the CFD Administrator pursuant to paragraph 2 above, the CFD Administrator shall review the current development plan for CFD No. 2006-02 in consultation with the current property owners for all remaining Undeveloped Property in CFD No. 2006-02, and shall prepare an updated version of Table 2 identifying the revised number of residential dwelling units or non-residential Acreage anticipated within each Land Use Class. The CFD Administrator shall not be responsible for any delays in preparing the updated Table 2 that results from a refusal on the part of one or more current property owners of Undeveloped Property to provide information on their future development.

The CFD Administrator shall then review the updated Table 2 and determine the Special Tax Buydown Requirement, if any, to be applied to the property identified in the request for

Letter of Compliance to assure the CFD's ability to levy special taxes equal to 110% debt service coverage on the Outstanding Bonds, plus Administrative Expenses. The calculations shall be undertaken by the CFD Administrator, based on the data in the updated Table 2, as follows:

- Step 1. Compute the sum of the Maximum Special Tax authorized to be levied on all Developed Property and Update Property within CFD No. 2006-02, plus the sum of the Maximum Special Tax authorized to be levied on all future development as identified in the current development plan as determined by the CFD Administrator in consultation with the property owner(s).
- Step 2. Determine the amount of Special Tax required to provide 110% debt service coverage on the Outstanding Bonds, plus any other payments included in the Special Tax Requirement.
- Step 3. If the total sum computed pursuant to step 1 is greater than or equal to the amount computed pursuant to step 2, then no Special Tax Buydown will be required and a Letter of Compliance shall immediately be issued by the CFD Administrator for all of the building permits currently being requested. If the total sum computed pursuant to step 1 is less than the amount computed pursuant to step 2, then continue to step 4.
- Step 4. Determine the Maximum Special Tax shortfall by subtracting the total sum computed pursuant to step 1 from the amount computed pursuant to step 2. Divide this Maximum Special Tax shortfall by the amount computed pursuant to step 2.
- Step 5. The Special Tax Buydown Requirement shall be calculated using the prepayment formula described in Section I, with the following exceptions: (i) skip Paragraphs 1, 2 and 3, and begin with Paragraph 4; (ii) the Bond Redemption Amount in Paragraph 4 of the prepayment formula described in Section I shall equal the product of the quotient computed pursuant to step 4 above times the Previously Issued Bonds, as defined in Section I; (iii) the Capitalized Interest Credit described in Paragraph 12 of Section I shall be \$0; and (iv) any payments of the Special Tax Buydown (less Administrative Fees and Expenses) shall be disbursed pursuant to the Fiscal Agent Agreement.

The Special Tax Buydown computed under step 5 shall be billed directly to the property owner of each Assessor's Parcel identified in the request for Letter of Compliance and shall be due within 30 days of the billing date. If the Special Tax Buydown is not paid within 45 days of the billing date, a delinquent penalty of 10 percent shall be added to the Special Tax Buydown. Upon receipt of the Special Tax Buydown payment, the CFD Administrator shall issue a Letter of Compliance and a Certificate of Satisfaction of Special Tax Buydown for the subject property, and such subject property shall no longer be subject to the terms of the Special Tax Buydown.

4. Costs and Expenses Related to Implementation of Special Tax Buydown

The property owner of each Assessor's Parcel identified in the request for Letter of Compliance shall pay all costs of the CFD Administrator or other consultants required to review the application for building permits, calculate the Special Tax Buydown, issue Letters of Compliance or any other actions required under Section D. Such payments shall be due 30 days after receipt of invoice by such property owner. A deposit may be required by the CFD Administrator prior to undertaking work related to the Special Tax Buydown.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-07 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

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

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property and Taxable Property Owner Association Property at up to the Maximum Special Tax for Taxable Public Property and Taxable Property Owner Association Property;

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the Council is no longer required to levy the Special Tax pursuant to steps two and three above in order to meet the Special Tax Requirement; and (ii) all authorized CFD No. 2006-02 Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD No. 2006-02 Bonds (except refunding bonds) to be supported by the Special Tax.

Further notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-02.

F. EXEMPTIONS

No Special Tax shall be levied on up to 6.0 Acres of Public Property and/or Property Owner Association Property. Tax-exempt status will be assigned by the CFD Administrator in the

chronological order in which property becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked.

Public Property or Property Owner Association Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the third step in Section E above, at up to 100% of the applicable Maximum Special Tax for Taxable Public Property and Taxable Property Owner Association Property.

G. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to CFD No. 2006-02. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified through an adjustment to the Special Tax levy in the following Fiscal Year. No refunds shall be given in the current Fiscal Year.

The Council may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the Council shall be final and binding as to all persons.

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2006-02 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

The following additional definition applies to this Section I:

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Fiscal Agent Agreement after the first interest and/or principal payment date following the current Fiscal Year.

Only an Assessor's Parcel of Developed Property, or Undeveloped Property for which a building permit has been issued, may be prepaid. The Special Tax obligation applicable to an Assessor's Parcel in CFD No. 2006-02 may only be prepaid after all authorized CFD No. 2006-02 Bonds have already been issued, or after the Council has covenanted that it will not issue any additional CFD No. 2006-02 Bonds (except refunding bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment. The obligation of the Assessor's Parcel to pay any Special Tax may be permanently satisfied as described herein,

provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 45 days prior to any redemption date for the CFD No. 2006-02 Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
Total: equals	Special Tax Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Maximum Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which building permits have already been issued, compute the Maximum Special Tax for the Assessor's Parcel to be prepaid as though it were already designated as Developed Property, based upon the building permit which has been issued for that Assessor's Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the estimated Maximum Special Taxes for CFD No. 2006-02 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development in CFD No. 2006-02 (as reasonably determined by the CFD Administrator), excluding any Assessor's Parcels which have been prepaid; and
4. Multiply the quotient computed pursuant to paragraph 3 by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price – 100%), if any, on the Previously Issued Bonds to be redeemed (the "*Redemption Premium*").

6. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date not covered by the current Fiscal Year Special Taxes until the earliest redemption date for the Previously Issued Bonds.
7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year that have not yet been paid.
8. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount less the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
9. Add the amounts computed pursuant to paragraphs 6 and 7 and subtract the amount computed pursuant to paragraph 8 (the "*Defeasance Amount*").
10. The administrative fees and expenses of CFD No. 2006-02 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-02 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
11. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of:
(a) the expected reduction in the reserve requirement (as defined in the Fiscal Agent Agreement), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or
(b) the amount derived by subtracting the new reserve requirement (as defined in the Fiscal Agent Agreement) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Fiscal Agent Agreement).
12. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first bond interest and/or principal payment date following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "*Capitalized Interest Credit*").
13. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 9, and 10, less the amounts computed pursuant to paragraphs 11 and 12 (the "*Special Tax Prepayment Amount*").

From the Special Tax Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 9, 10, 11 and 12 shall be deposited into the appropriate fund as established under the Fiscal Agent Agreement and be used to redeem Previously Issued Bonds, as applicable, or make scheduled debt service payments or to pay administrative expenses related to the prepayment of the Special Tax.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of CFD No. 2006-02 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Fiscal Agent Agreement to be used with the next prepayment of CFD No. 2006-02 Bonds or to make scheduled debt service payments on such bonds.

Upon confirmation of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel for which the Special Tax obligation is prepaid in accordance with this Section I, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2006-02 (after excluding 6.0 Acres of Public Property and Property Owner Association Property as set forth in Section F) both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses, as defined in Section A above, and (ii) 1.10 times the maximum annual debt service on all Outstanding Bonds.

J. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed fifty years commencing with Fiscal Year 2006-07, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2006-02 Bonds have been paid; and (ii) all Authorized Facilities have been constructed.

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**CITY OF RANCHO CUCAMONGA
COMMUNITY FACILITIES DISTRICT NO. 2006-02
(AMADOR ON ROUTE 66)**

**MAXIMUM SPECIAL TAX FOR DEVELOPED PROPERTY
FISCAL YEAR 2006-2007**

Land Use Class	Description	Residential Floor Area	Maximum Special Tax
1	Residential Property	More than 1,850 SF	\$2,816 per unit
2	Residential Property	1,601 – 1,850 SF	\$2,697 per unit
3	Residential Property	1,351 – 1,600 SF	\$2,469 per unit
4	Residential Property	Less than 1,351 SF	\$2,241 per unit
5	Non-Residential Property	NA	\$64,747 per Acre