



Harris & AssociatesSM

SHAPING THE FUTURE ONE PROJECT AT A TIMESM

Community Facilities District Report

for the

City of Salinas

Community Facilities District No. 2016-1

(Monte Bella)

County of Monterey, California

November 29, 2016

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I. Introduction

WHEREAS, the City Council of the City of Salinas (hereinafter referred to as the “Council”), pursuant to the 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 (hereinafter referred to as the “Act”) did establish its intentions to form a community facilities district, consisting of the territory described in Exhibit A, and did expressly order the filing of a written “Report” with the Council for the proposed community facilities district. This community facilities district shall hereinafter be referred to as City of Salinas Community Facilities District No. 2016-1 (Monte Bella) (hereinafter referred to as “CFD No. 2016-1”); and

WHEREAS, the Resolution of Intention of the City Council of the City of Salinas to establish City of Salinas Community Facilities District No. 2016-1 (Monte Bella), to authorize the levy of a Special Tax to pay the costs of acquiring, constructing, or maintaining certain facilities and expenses of CFD No. 2016-1 and to pay debt service on bonded indebtedness, did direct that said Report generally contain the following:

- a. A brief description of the public facilities, by type, which will be required to adequately meet the needs of CFD No. 2016-1; and
- b. An estimate of the cost of providing those public facilities, including the cost of environmental evaluations of such facilities, and an estimate of the fair and reasonable cost of any incidental expenses to be incurred.

NOW, THEREFORE, I, Dennis A. Anderson, authorized representative of Harris & Associates, pursuant to the provisions of the Act, do hereby submit the following report.

II. Project Description

Pursuant to land use entitlements approved by (i) the City of Salinas, a political subdivision of the State of California (the “City”), Canadian Pacific Land, LLC, a Florida limited liability company, and Strack Farms Land, LLC, a Delaware limited liability company (collectively, the “Developer”), the Developer plans to construct 234 single family residential dwelling units, including 17 affordable housing units designations, within Phases 5 and 6 of a development known as Monte Bella. The development plan includes three development phases by separating Phase 5 into Phases 5A and 5B and maintaining Phase 6.

The City has proposed to form one Community Facilities District, to be known as Community Facilities District No. 2016 (Monte Bella) (hereinafter “CFD No. 2016-1”), for the purpose of financing certain eligible facilities and fees for the benefit of development. CFD No. 2016-1 will include three separate and distinct Improvement Areas representing the three planned development phases. Phase 5A will be known as Improvement Area No. 1 (“IA No. 1”), Phase 5B will be known as Improvement Area No. 2 (“IA No. 2”), and Phase 6 will be known as Improvement Area No. 3 (“IA No. 3”).

The following table provides details of the development plans for each area:

| Improvement Area | Development Phase | Single Family Residential Units | Affordable Housing Designations | Gross Acreage | Exempt Acreage | Net Acreage |
|------------------------------|-------------------|---------------------------------|---------------------------------|---------------|----------------|--------------|
| IA No. 1 | 5A | 85 | 9 | 13.97 | 4.63 | 9.34 |
| IA No. 2 | 5B | 71 | 8 | 11.09 | 2.74 | 8.35 |
| IA No. 3 | 6 | 78 | 0 | 22.34 | 9.62 | 12.72 |
| CFD No. 2016-1 Totals | | 234 | 17 | 47.40 | 16.99 | 30.41 |

III. Description of Facilities

A community facilities district may provide for the purchase, construction, expansion or rehabilitation of any real or other tangible property with an estimated useful life of five (5) years or longer which is necessary to meet increased demands placed upon local agencies as a result of development occurring within a community facilities district. In addition, a community facilities district may provide for the on-going costs for services and infrastructure maintenance as long as those services are in addition to services already received by the property within the district.

The facilities described in the Report are all facilities which the City is authorized, pursuant to the Act, to own, construct, or finance, and which are required to adequately meet the needs of CFD No. 2016-1. The facilities described herein are those currently expected to be required to adequately meet, in part, the needs of CFD No. 2016-1. Because the actual needs of CFD No. 2016-1 arising as development progresses therein may differ from those currently anticipated, the City reserves the right to modify the facilities proposed herein to the extent the City deems necessary, in its sole discretion, to meet those needs.

The types of Facilities that are proposed by CFD No. 2016-1 and financed with the proceeds of special taxes and bonds issued by CFD No. 2016-1 consist of infrastructure needed for new development, such as roadway, bridge, sewer, storm drain, street and parkway landscaping, curb and gutter, medians, median landscaping, traffic signals, entry signage, parks, trails, and appurtenances and appurtenant work, and development impact fees that are used by the City to construct infrastructure.

IV. Facilities and Fees Cost Estimate

The cost estimates for the eligible facilities and fees described in Section III are set forth below. The actual facilities and fees to be financed will ultimately be determined in accordance with the Acquisition Agreement between the City and Developer.

Estimated Eligible Facilities

| Facility Description | Amount ¹ |
|---|---------------------|
| <u>Improvement Area No. 1 (Phase 5A - 85 Lots)</u> | |
| Sanitary Sewer | \$375,516 |
| Storm Drain | 204,360 |
| Street Lights | 117,600 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | 384,432 |
| Finish / AC Improvements (Roads) | 643,632 |
| Detention Basin | <u>229,596</u> |
| Improvement Area No. 1 Total | \$1,955,136 |
| <u>Improvement Area No. 2 (Phase 5B - 71 Lots)</u> | |
| Sanitary Sewer | \$255,978 |
| Storm Drain | 103,706 |
| Street Lights | 93,600 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | 255,210 |
| Finish / AC Improvements (Roads) | 486,528 |
| Masonry Wall | <u>241,920</u> |
| Improvement Area No. 2 Total | \$1,436,942 |
| <u>Improvement Area No. 3 (Phase 6 - 78 Lots)</u> | |
| Sanitary Sewer | \$313,734 |
| Storm Drain | \$80,803 |
| Street Lights | \$156,000 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | \$506,342 |
| Finish / AC Improvements (Roads) | \$669,581 |
| Masonry Wall | <u>\$557,760</u> |
| Improvement Area No. 3 Total | \$2,284,220 |
| <u>Off-Site Improvements</u> | |
| Finish / AC Improvements (Roads) | \$1,243,262 |
| Street Lights | \$187,200 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | \$406,379 |
| Frontage Landscaping (Bio Swales) | <u>\$896,415</u> |
| Off-Site Improvements Total | \$2,733,256 |
| Total Estimated Eligible Facilities | \$8,409,554 |
| Total Per Residential Unit (234 Units) | \$35,938.26 |

¹ Includes estimated hard and soft costs.

Estimated Eligible Fees

| Permit Fee Category | Amount |
|--|--------------------|
| <u>City Fees Per Residential Unit</u> | |
| Storm Sewer Trunk Line Fee (\$506/Bedroom) ² | \$2,024 |
| Sanitary Sewer Trunk Line Fee (\$472/Bedroom) ² | 1,888 |
| Traffic Fee | <u>2,160</u> |
| City Fees Per Residential Unit | \$6,072 |
| <u>Total City Fees</u> | |
| City Fees Per Residential Unit | \$6,072 |
| x 234 Residential Units | <u>x 234</u> |
| Total Estimated Eligible Fees | \$1,420,848 |

² Assumes 4 bedrooms.

Total Estimated Eligible Facilities and Fees

| Description | Amount |
|--|--------------------|
| <u>Total Estimated Eligible Facilities and Fees</u> | |
| Total Estimated Eligible Facilities | \$8,409,554 |
| Total Estimated Eligible Fees | <u>1,420,848</u> |
| Total Estimated Eligible Facilities and Fees | \$9,830,402 |

Detailed Cost Estimates

Detailed cost estimates for the Improvement Areas are provided in Appendix B of to this Report.

V. Bonded Indebtedness and Incidental Expenses

Projected Bond Sales

The maximum authorized bonded indebtedness for CFD No. 2016-1 is \$11,000,000, including \$3,575,000 for Improvement Area No. 1, \$3,025,000 for Improvement Area No. 2, and \$4,400,000 for Improvement Area No. 3.

Incidental Bond Issuance Expenses to be included in the Proposed Bonded Indebtedness

Pursuant to Section 53345.3 of the Act, bonded indebtedness may include all costs and estimated costs incidental to, or connected with, the accomplishment of the purpose for which the proposed debt is to be incurred, including, but not limited to:

- The costs of legal, fiscal, and financial consultant fees
- Bond and other reserve funds
- Discount fees
- Interest on any bonds of the district due and payable prior to the expiration of one year from the date of completion of the facilities, not to exceed two years;
- Election costs
- All cost of issuance of the bonds, including, but not limited to:
 - ◆ Fees for bond counsel
 - ◆ Costs of obtaining credit ratings
 - ◆ Bond insurance premiums,
 - ◆ Fees for letters of credit and other credit enhancement costs
 - ◆ Printing costs.

For the bonds proposed to be issued by CFD No. 2016-1:

- Capitalized interest is estimated for 12 months,
- The reserve fund and all incidental bond issuance expenses are estimated at approximately 5.0 percent of the face amount of the bonds.
- The reserve fund may be equal to either 125% of annual average debt service on the bonds or 10% of the gross bond amount, depending on interest rates at the time of bond issuance.

Incidental Expenses to be Included in the Annual Levy of Special Taxes

Pursuant to Section 53340 of the Act, the proceeds of any special tax may only be used to pay, in whole or part, the cost of providing public facilities, services and incidental expenses. As defined by the Act, incidental expenses include, but are not limited to:

- The cost of planning and designing public facilities to be financed, including the cost of environmental evaluations of those facilities
- The costs associated with the creation of the district, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the district
- Any other expenses incidental to the construction, completion, and inspection of the authorized work
- The retirement of existing bonded indebtedness.

While the actual cost of administering CFD No. 2016-1 may vary, it is anticipated that the amount of special taxes which can be collected will be sufficient to fund at least \$25,000 in annual administrative expenses.

VI. Rate and Method of Apportionment of the Special Tax

There is a separate Rate and Method of Apportionment for each Improvement Area.

All of the property located within CFD No. 2016-1, unless exempted by law or by the Rate and Method of Apportionment, shall be taxed for the purpose of providing necessary facilities to serve CFD No. 2016-1. Pursuant to Section 53325.3 of the Act, the tax imposed “is a Special Tax and not a special assessment, and there is no requirement that the tax be apportioned on the basis of benefit to any property.” The Special Tax “may be based on benefit received by parcels of real property, the cost of making facilities or authorized services available to each parcel or other reasonable basis as determined by the legislative body,” although the Special Tax may not be apportioned on an ad valorem basis pursuant to Article XIII A of the California Constitution.

As shown in Exhibit B, the Rate and Method of Apportionment for each Improvement Area approved in the Resolution of Intention provides information sufficient to allow each property owner within CFD No. 2016-1 to estimate the maximum annual Special Tax he or she will be required to pay. A summary of the Rate and Method of Apportionment for each Improvement Area, as is proposed to be adopted in the Resolution of Formation for CFD No. 2016-1, follows below.. Please note that all capitalized terms used herein, unless otherwise indicated, shall have the meanings defined in the Rate and Method of Apportionment documents.

Explanation for Special Tax Apportionment

When a community facilities district (a “CFD”) is formed, a special tax may be levied on each parcel of taxable property within the CFD to pay for the construction, acquisition and rehabilitation of public facilities, to pay for authorized services or to repay bonded indebtedness or other related expenses incurred by the CFD. This special tax must be apportioned in a reasonable manner; however, the tax may not be apportioned on an ad valorem basis.

When more than one type of land use is present within a CFD, several criteria may be considered when apportioning the special tax. Generally, criteria based on building square footage, acreage, and land use are selected, and categories based on such criteria are established to differentiate between parcels of property. These categories are a direct result of the projected product mix, and are reflective of the proposed land use types within that CFD. Specific special tax levels are assigned to each land use class, with all parcels within a land use class assigned the same special tax rate.

Based on the types of public facilities that are proposed for CFD No. 2016-1 and the factors described above, the Special Taxes assigned to specific land uses are generally proportionate to the relative benefits received by them, and, accordingly, the Special Taxes in CFD No. 2016-1 can be considered fair and reasonable.

Maximum Special Tax Rates

Maximum Special Tax Rates - Improvement Area No. 1 and Improvement Area No. 2

The following table shows the Maximum Special Tax Rates for Improvement Area No. 1 and Improvement Area No. 2:

| Land Use Type | Building Square Footage | Special Tax Rate |
|--------------------------|-------------------------|--------------------------------|
| Single Family Property | Up to 1,800 SF | \$2,337 per Single Family Unit |
| Single Family Property | 1,801 SF to 2,000 SF | \$2,427 per Single Family Unit |
| Single Family Property | 2,001 SF to 2,200 SF | \$2,524 per Single Family Unit |
| Single Family Property | 2,201 SF to 2,400 SF | \$2,623 per Single Family Unit |
| Single Family Property | Greater than 2,400 SF | \$2,720 per Single Family Unit |
| Non-Residential Property | N/A | \$24,911 per Acre |

Maximum Special Tax Rates - Improvement Area No. 3

The following table shows the Maximum Special Tax Rates for Improvement Area No. 3:

| Land Use Type | Building Square Footage | Special Tax Rate |
|--------------------------|-------------------------|--------------------------------|
| Single Family Property | Up to 2,250 SF | \$2,492 per Single Family Unit |
| Single Family Property | 2,251 SF to 2,500 SF | \$2,654 per Single Family Unit |
| Single Family Property | 2,501 SF to 2,750 SF | \$2,785 per Single Family Unit |
| Single Family Property | Greater than 2,750 SF | \$2,882 per Single Family Unit |
| Non-Residential Property | N/A | \$17,452 per Acre |

Backup Special Tax

At the time a Final Map is recorded, the Backup Special Tax for all Assessor's Parcels of Developed Property classified or reasonably expected to be classified as a Single Family Property within such Final Map area shall be determined by (i) multiplying (a) the Maximum Special Tax rate for Undeveloped Property by (b) the total Acreage of Taxable Property in such Final Map area, excluding Acreage classified as Provisional Undeveloped Property, Acreage classified or reasonably expected to be classified as Non-Residential Property, and any Acreage reasonably expected to be classified as Exempt Property in such Final Map area, and (ii) dividing the results in (i) by the total number of Single Family Units reasonably expected to be constructed within such Final Map area less the number of

Affordable Housing Property units within CFD No. 2016-1. The resulting quotient shall be the Backup Special Tax for each Assessor's Parcel of Single Family Property within such Final Map area.

The Backup Special Tax shall not apply to Non-Residential Property.

Notwithstanding the foregoing, if Assessor's Parcels of Developed Property which are classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for the area that has been changed or modified shall be recalculated, based on the methodology above, to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

Accuracy of Information

In order to establish the Assigned Special Tax rates, the Backup Special Tax rates and the Maximum Special Tax rates as set forth in the Rate and Method of Apportionment for CFD 2016-1, the Special Tax Consultant has relied on information including, but not limited to, absorption, land use types, building square footage, and net taxable acreage which were provided to the Special Tax Consultant by others. The Special Tax Consultant did not independently verify such data and disclaims responsibility for the impact of inaccurate data provided by others, if any, on the Rate and Method of Apportionment for CFD No. 2016-1, including the inability to meet the financial obligations of CFD No. 2016-1.

Rate and Method of Apportionment

The complete Rate and Method of Apportionment for each Improvement Area is provided as an Appendix to this Report as follows:

- Exhibit C - Rate and Method of Apportionment - Improvement Area No. 1
- Exhibit D - Rate and Method of Apportionment - Improvement Area No. 2
- Exhibit E - Rate and Method of Apportionment - Improvement Area No. 3

VII. Boundaries of CFD No. 2016-1

The boundaries of CFD No. 2016-1 include all land on which special taxes may be levied. A copy of the Boundary Map for CFD No. 2016-1 is included as Exhibit A of this Report.

A property owner listing for CFD No. 2016-1 is provided as Appendix F of to this Report.

VIII. General Terms and Conditions

Substitution Facilities

The description of the public facilities, as set forth herein, are general in their nature. The final nature and location of improvements and facilities will be determined upon the preparation of final plans and specifications. The final plans may show substitutes, in lieu or modifications to the proposed work in order to accomplish the work of improvement, and any such substitution shall not be a change or modification in the proceedings as long as the facilities provide a service and are of a type substantially similar to that as set forth in this Report.

IX. Certification

Based on the information provided herein, it is my opinion that the facilities and services described herein are necessary to meet increased demands placed upon the City as a result of development occurring within the boundaries of CFD No. 2016-1 and benefit the lands within said CFD No. 2016-1. Further, it is my opinion that the special tax rates and method of apportionment, as set forth herein, are fair and equitable, uniformly applied and not discriminating or arbitrary.

Dated: November 29, 2016

Harris & Associates
Dennis A. Anderson
Director

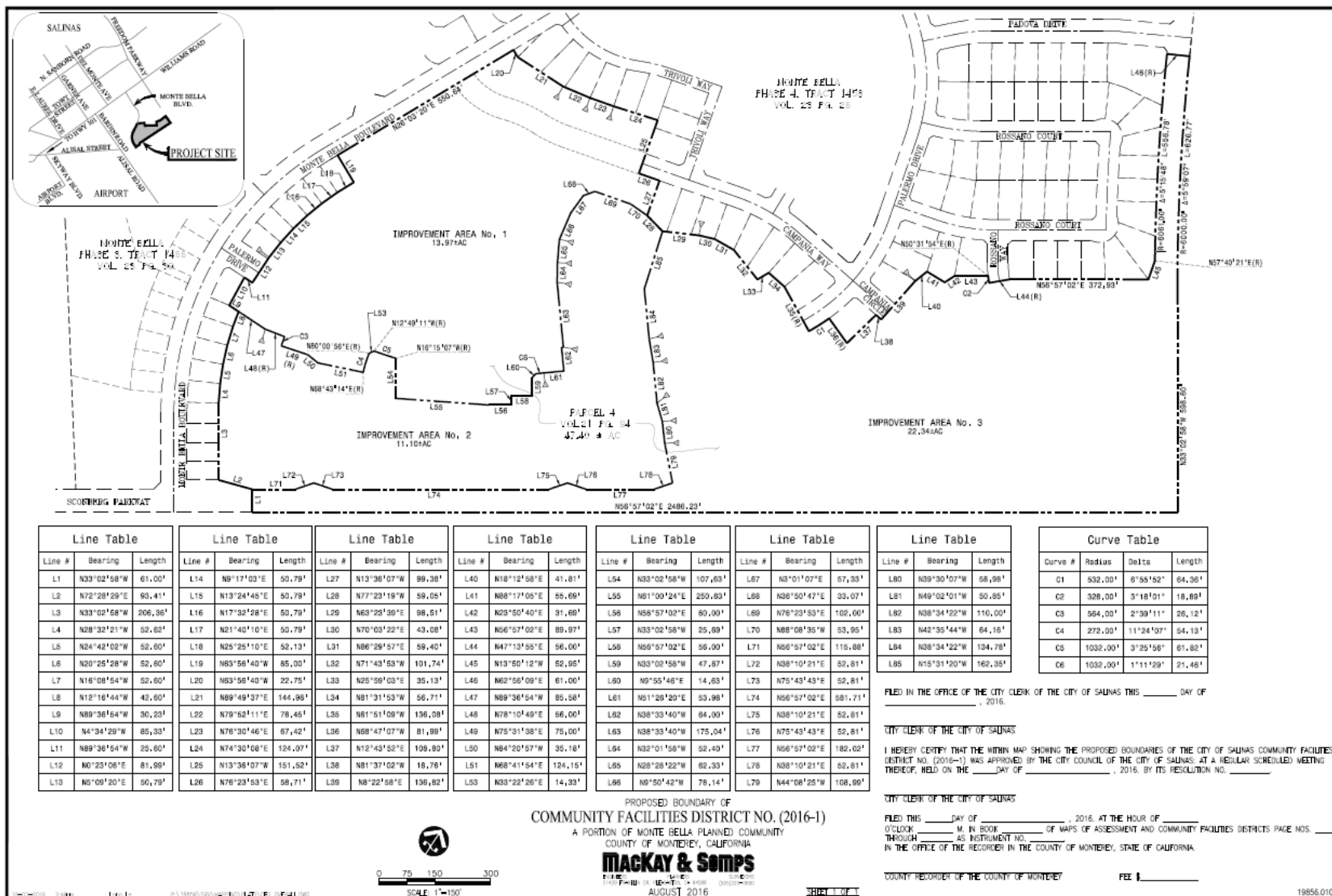


Exhibit B

Detailed Cost Estimates

Detailed cost estimates for the Improvement Areas are provided on the following pages.

City of Salinas - Monte Bella
Community Facilities District No. 2016-1
List of Potential Eligible Facilities

| Facility Description | Amount ¹ |
|---|---------------------|
| Phase 5A - 85 Lots | |
| Sanitary Sewer | \$375,516 |
| Storm Drain | \$204,360 |
| Street Lights | \$117,600 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | \$384,432 |
| Finish / AC Improvements (Roads) | \$643,632 |
| Detention Basin | \$229,596 |
| Total Phase 5A | \$1,955,136 |
| Phase 5B - 71 Lots | |
| Sanitary Sewer | \$255,978 |
| Storm Drain | \$103,706 |
| Street Lights | \$93,600 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | \$255,210 |
| Finish / AC Improvements (Roads) | \$486,528 |
| Masonry Wall | \$241,920 |
| Total Phase 5B | \$1,436,942 |
| Phase 6 - 78 Lots | |
| Sanitary Sewer | \$313,734 |
| Storm Drain | \$80,803 |
| Street Lights | \$156,000 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | \$506,342 |
| Finish / AC Improvements (Roads) | \$669,581 |
| Masonry Wall | \$557,760 |
| Total Phase 6 | \$2,284,220 |
| Off-Site Improvements | |
| Finish / AC Improvements (Roads) | \$1,243,262 |
| Street Lights | \$187,200 |
| Concrete R/W Improvements (Curb/Gutter/Sidewalk) | \$406,379 |
| Frontage Landscaping (Bio Swales) | \$896,415 |
| Total Off-Site Improvements | \$2,733,256 |
| TOTAL ESTIMATED ELIGIBLE FACILITIES | \$8,409,554 |
| TOTAL PER LOT ESTIMATED ELIGIBLE FACILITIES | \$35,938 |
| Preliminary List of Potential Eligible Fees | |
| Permit Fee Category | Fee Amount |
| City Fees | |
| Storm Sewer Trunk Line Fee (\$506/Bedroom) ² | \$2,024 |
| Sanitary Sewer Trunk Line Fee (\$472/Bedroom) ² | \$1,888 |
| Traffic Fee | \$2,160 |
| Total City Fees | \$6,072 |
| Total Per Unit Fees | \$6,072 |
| Number of Lots | 234 |
| TOTAL ESTIMATED ELIGIBLE FEES: | \$1,420,848 |
| TOTAL ESTIMATED ELIGIBLE FACILITIES | \$8,409,554 |
| TOTAL ESTIMATED ELIGIBLE FEES & FACILITIES | \$9,830,402 |
| TOTAL PER LOT ESTIMATED ELIGIBLE FEES & FACILITIES | \$42,010 |

Footnotes:

¹Includes estimated hard and soft costs.²Assumes 4 bedrooms.

City of Salinas - Monte Bella
Community Facilities District No. 2016-1
Detail List of Potential Eligible Facilities

| DESCRIPTION | QTY ¹ | UNIT | UNIT PRICE ¹ | COST | | TOTAL |
|--|------------------|------|-------------------------|-----------------------|-------------------------|---------|
| | | | | ESTIMATE ¹ | SOFT COSTS ² | |
| Phase 5A - Improvement Area 1 | | | | | | |
| Sanitary Sewer | | | | | | |
| Sewer Manholes | 7 | EA | 5,000.00 | 35,000 | 7,000 | 42,000 |
| Sewer Manholes (Drop) | 4 | EA | 6,000.00 | 24,000 | 4,800 | 28,800 |
| Sewer Manhole (Drop) over Existing Sewer | 1 | EA | 7,800.00 | 7,800 | 1,560 | 9,360 |
| 10" Main | 20 | LF | 60.00 | 1,200 | 240 | 1,440 |
| 8" Main | 873 | LF | 50.00 | 43,650 | 8,730 | 52,380 |
| 6" Main | 2,382 | LF | 40.00 | 95,280 | 19,056 | 114,336 |
| 4" PVC Sanitary Laterals (Incl. 2 Phase 5B) | 87 | EA | 1,200.00 | 104,400 | 20,880 | 125,280 |
| Connect to existing Sewer Stub | 2 | EA | 800.00 | 1,600 | 320 | 1,920 |
| SANITARY SEWER SUB-TOTAL | | | | 312,930 | 62,586 | 375,516 |
| Storm Drain | | | | | | |
| Type 'A' Storm Drain Manholes | 8 | EA | 4,000.00 | 32,000 | 6,400 | 38,400 |
| Type 'A' Storm Drain Manhole over Ex. Pipe | 1 | EA | 6,000.00 | 6,000 | 1,200 | 7,200 |
| 24" x 24" Drain Inlet (Add. Inlet @ Swale) | 24 | EA | 2,000.00 | 48,000 | 9,600 | 57,600 |
| 48" HDPE Storm Drain | 69 | LF | 100.00 | 6,900 | 1,380 | 8,280 |
| 24" HDPE Storm Drain | 882 | LF | 50.00 | 44,100 | 8,820 | 52,920 |
| 15" HDPE Storm Drain | 84 | LF | 40.00 | 3,360 | 672 | 4,032 |
| 12" HDPE Storm Drain | 481 | LF | 35.00 | 16,840 | 3,368 | 20,208 |
| Headwall "A" 48" Pipe Outfall Structure | 1 | EA | 7,500.00 | 7,500 | 1,500 | 9,000 |
| Headwall "B" 20" Pipe Low Outlet Structure | 1 | EA | 4,000.00 | 4,000 | 800 | 4,800 |
| Connect to existing Storm Drain | 2 | EA | 800.00 | 1,600 | 320 | 1,920 |
| STORM DRAIN | | | | 170,300 | 34,060 | 204,360 |
| Street Work | | | | | | |
| Finish Grading Public Right of Way | 197,228 | SF | 0.40 | 78,890 | 15,778 | 94,668 |
| Pavement Section (Collector - 4.5" AC/15" AB) | 33,627 | SF | 4.75 | 159,730 | 31,946 | 191,676 |
| Pavement Section (Residential - 3" AC/10" AB) | 82,024 | SF | 3.25 | 266,580 | 53,316 | 319,896 |
| Paving Replacement (Boulevard - 6" AC/15" AB) | 385 | SF | 6.25 | 2,410 | 482 | 2,892 |
| 4" AB Under Driveway Apron | 8,276 | SF | 0.75 | 6,210 | 1,242 | 7,452 |
| 4" AB Under Standard 6" Curb & Gutter | 13,819 | SF | 0.75 | 10,360 | 2,072 | 12,432 |
| Pavement Reflectors at Fire Hydrants | 7 | EA | 25.00 | 180 | 36 | 216 |
| Street Name Sign | 8 | EA | 250.00 | 2,000 | 400 | 2,400 |
| Stop Sign, Limit Line and Lettering | 9 | EA | 500.00 | 4,500 | 900 | 5,400 |
| Standard City Street Monuments | 9 | EA | 500.00 | 4,500 | 900 | 5,400 |
| Miscellaneous Striping and Signage | 1 | LS | 1,000.00 | 1,000 | 200 | 1,200 |
| STREET WORK SUB-TOTAL | | | | 536,360 | 107,272 | 643,632 |
| Concrete Work | | | | | | |
| Standard 6" Curb & Gutter | 6,217 | LF | 18.00 | 111,910 | 22,382 | 134,292 |
| 30" Deepened Curb & Gutter (Bio retention Cells) | 286 | LF | 30.00 | 8,580 | 1,716 | 10,296 |
| 22" Planter Wall (Bio retention Cells) | 891 | LF | 18.00 | 16,040 | 3,208 | 19,248 |
| Trough Sidewalk Drain at Parcel 'A' | 16 | LF | 150.00 | 2,400 | 480 | 2,880 |
| 4" PCC Driveway Apron | 8,193 | SF | 5.00 | 40,970 | 8,194 | 49,164 |
| 4" Sidewalk | 27,614 | SF | 4.00 | 110,460 | 22,092 | 132,552 |
| Handicap Ramps | 20 | EA | 1,500.00 | 30,000 | 6,000 | 36,000 |
| CONCRETE WORK SUB-TOTAL | | | | 320,360 | 64,072 | 384,432 |
| Street Lights | | | | | | |
| Streetlight - Decorative, Pull boxes, Etc. | 28 | EA | 3,500.00 | 98,000 | 19,600 | 117,600 |
| STREET LIGHTS SUB-TOTAL | | | | 98,000 | 19,600 | 117,600 |

Footnotes:¹Quantities, unit costs, and cost estimates from McKay and Soms Estimate Dated 9-26-16.²Includes 20% for contingency and soft costs.**Exhibit B****Detailed Cost Estimates**

City of Salinas - Monte Bella
Community Facilities District No. 2016-1
Detail List of Potential Eligible Facilities

| DESCRIPTION | QTY ¹ | UNIT | UNIT PRICE ¹ | COST | | TOTAL |
|--|------------------|------|-------------------------|-----------------------|-------------------------|-----------|
| | | | | ESTIMATE ¹ | SOFT COSTS ² | |
| Phase 5A - Improvement Area 1 | | | | | | |
| Detention Basin | | | | | | |
| Rough Grading (Cut to Stockpile - From Basin) | 6,600 | CY | 8.50 | 56,100 | 11,220 | 67,320 |
| Finish Grade - Offsite Swale & Basin Headwalls | 8,500 | SF | 1.00 | 8,500 | 1,700 | 10,200 |
| Demolition of Existing Curb and Gutter | 34.00 | LF | 15.00 | 510 | 102 | 612 |
| Saw cut / Demolition of Existing Street Paving | 385.00 | SF | 5.00 | 1,930 | 386 | 2,316 |
| Demolition of Existing Landscape | 436.00 | SF | 3.00 | 1,310 | 262 | 1,572 |
| Demolition of Existing Headwall | 1.00 | EA | 2,000.00 | 2,000 | 400 | 2,400 |
| Demolition of Existing 42" Storm Pipe | 76.00 | LF | 45.00 | 3,420 | 684 | 4,104 |
| Abandon in Place Existing 36" Storm Pipe | 168 | LF | 25.00 | 4,200 | 840 | 5,040 |
| Demolition of Existing Type 'B' Manhole at Basin | 1 | EA | 3,500.00 | 3,500 | 700 | 4,200 |
| Demolition of Existing Storm Overflow Structure | 1.00 | EA | 2,000.00 | 2,000 | 400 | 2,400 |
| Finish Grading (Basin Roadways) | 10,700 | SF | 0.40 | 4,280 | 856 | 5,136 |
| Pavement Basin Access Road (3" AC/10" AB) | 1,408 | SF | 3.25 | 4,580 | 916 | 5,496 |
| All Weather Perimeter Access Road (13" AB) | 9,165 | SF | 2.25 | 20,620 | 4,124 | 24,744 |
| Type 'B' Storm Drain Manhole @ Basin | 1 | EA | 6,500.00 | 6,500 | 1,300 | 7,800 |
| 20" HDPE Storm Drain | 24 | LF | 48.00 | 1,150 | 230 | 1,380 |
| Storm Basin Overflow Structure | 1 | EA | 5,000.00 | 5,000 | 1,000 | 6,000 |
| Perimeter Landscaping @ Storm Drain Basin | 5,589 | SF | 7.00 | 39,120 | 7,824 | 46,944 |
| Fence at Basin (Chain Link) plus Gate | 887 | LF | 30.00 | 26,610 | 5,322 | 31,932 |
| DETENTION BASIN SUB-TOTAL | | | | 191,330 | 38,266 | 229,596 |
| PHASE 5A TOTAL | | | | 1,629,280 | 325,856 | 1,955,136 |

Footnotes:

¹Quantities, unit costs, and cost estimates from McKay and Soms Estimate Dated 9-26-16.

²Includes 20% for contingency and soft costs.

City of Salinas - Monte Bella
Community Facilities District No. 2016-1
Detail List of Potential Eligible Facilities

| DESCRIPTION | QTY ¹ | UNIT | UNIT PRICE ¹ | COST | | TOTAL |
|---|------------------|------|-------------------------|-------------|------------|--------------|
| | | | | | | |
| Phase 5B - Improvement Area 2 | | | | | | |
| <u>Sanitary Sewer</u> | | | | | | |
| Sanitary Manholes | 4.00 | EA | \$ 5,800.00 | \$ 23,200 | \$ 4,640 | \$ 27,840 |
| 8" Main | 1,477.00 | LF | \$ 55.00 | \$ 81,235 | \$ 16,247 | \$ 97,482 |
| 6" Main | 624.00 | LF | \$ 45.00 | \$ 28,080 | \$ 5,616 | \$ 33,696 |
| 4" PVC Sanitary Laterals with Cleanout to Grade | 71.00 | EA | \$ 1,100.00 | \$ 78,100 | \$ 15,620 | \$ 93,720 |
| Tie to Existing | 3.00 | EA | \$ 900.00 | \$ 2,700 | \$ 540 | \$ 3,240 |
| SANITARY SEWER SUB-TOTAL | | | | \$ 213,315 | \$ 42,663 | \$ 255,978 |
| | | | | | | |
| <u>Storm Drain</u> | | | | | | |
| Storm Drain Manholes | 1.00 | EA | \$ 4,800.00 | \$ 4,800 | \$ 960 | \$ 5,760 |
| 12" PVC SDR35 Storm Drain | 0.00 | LF | \$ 54.00 | \$ - | \$ - | \$ - |
| 15" PVC SDR35 Storm Drain | 388.00 | LF | \$ 64.00 | \$ 24,832 | \$ 4,966 | \$ 29,798 |
| 18" PVC SDR35 Storm Drain | 0.00 | LF | \$ 70.00 | \$ - | \$ - | \$ - |
| 24" PVC SDR35 Storm Drain | 569.20 | LF | \$ 75.00 | \$ 42,690 | \$ 8,538 | \$ 51,228 |
| Catch Basins | 4.00 | EA | \$ 2,900.00 | \$ 11,600 | \$ 2,320 | \$ 13,920 |
| Tie to Existing | 2.00 | EA | \$ 1,250.00 | \$ 2,500 | \$ 500 | \$ 3,000 |
| STORM DRAIN SUB-TOTAL | | | | \$ 86,422 | \$ 17,284 | \$ 103,706 |
| | | | | | | |
| <u>Street Lights</u> | | | | | | |
| Street Light (100W) | 12.00 | EA | \$ 6,500.00 | \$ 78,000 | \$ 15,600 | \$ 93,600 |
| STREET LIGHTS SUB-TOTAL | | | | \$ 78,000 | \$ 15,600 | \$ 93,600 |
| | | | | | | |
| <u>Concrete R/W Improvements</u> | | | | | | |
| Type C Curb and Gutter | 3,550.00 | LF | \$ 21.00 | \$ 74,550 | \$ 14,910 | \$ 89,460 |
| 5' Sidewalk | 17,750.00 | SF | \$ 7.50 | \$ 133,125 | \$ 26,625 | \$ 159,750 |
| Handicap Ramps | 2.00 | EA | \$ 2,500.00 | \$ 5,000 | \$ 1,000 | \$ 6,000 |
| CONCRETE R/W IMPROVEMENTS SUB-TOTAL | | | | \$ 212,675 | \$ 42,535 | \$ 255,210 |
| | | | | | | |
| <u>Finish / AC Improvements</u> | | | | | | |
| Onsite Grading ROW to ROW | 113,600.00 | SF | \$ 0.40 | \$ 45,440 | \$ 9,088 | \$ 54,528 |
| 4" AC Paving | 71,000.00 | SF | \$ 2.20 | \$ 156,200 | \$ 31,240 | \$ 187,440 |
| 14" Class II AB | 71,000.00 | SF | \$ 2.80 | \$ 198,800 | \$ 39,760 | \$ 238,560 |
| Signage and Striping | 1.00 | LS | \$ 5,000.00 | \$ 5,000 | \$ 1,000 | \$ 6,000 |
| FINISH / AC IMPROVEMENTS SUB-TOTAL | | | | \$ 405,440 | \$ 81,088 | \$ 486,528 |
| | | | | | | |
| <u>Masonry Wall</u> | | | | | | |
| 6" Masonry Wall | 1,260.00 | LF | \$ 160.00 | \$ 201,600 | \$ 40,320 | \$ 241,920 |
| MASONRY WALL SUB-TOTAL | | | | \$ 201,600 | \$ 40,320 | \$ 241,920 |
| | | | | | | |
| PHASE 5B TOTAL | | | | \$1,197,452 | \$ 239,490 | \$ 1,436,942 |

Footnotes:

¹Quantities, unit costs, and cost estimates from LJ Consultants Project Cost Summary dated 6/22/2016.²Includes 20% for contingency and soft costs.

City of Salinas - Monte Bella
Community Facilities District No. 2016-1
Detail List of Potential Eligible Facilities

| DESCRIPTION | QTY ¹ | UNIT | UNIT PRICE ¹ | COST ESTIMATE ¹ | SOFT COSTS ² | TOTAL |
|---|------------------|------|-------------------------|-------------------------------|-------------------------|---------------------|
| Phase 6 - Improvement Area 3 | | | | | | |
| <u>Sanitary Sewer</u> | | | | | | |
| Sanitary Manholes | 5.00 | EA | \$ 5,800.00 | \$ 29,000 | \$ 5,800 | \$ 34,800 |
| 8" Main | 1,286.00 | LF | \$ 55.00 | \$ 70,730 | \$ 14,146 | \$ 84,876 |
| 6" Main | 1,547.00 | LF | \$ 45.00 | \$ 69,615 | \$ 13,923 | \$ 83,538 |
| 4" PVC Sanitary Laterals with Cleanout to Grade | 78.00 | EA | \$ 1,100.00 | \$ 85,800 | \$ 17,160 | \$ 102,960 |
| Tie to Existing | 7.00 | EA | \$ 900.00 | \$ 6,300 | \$ 1,260 | \$ 7,560 |
| SANITARY SEWER SUB-TOTAL | | | | \$ 261,445 | \$ 52,289 | \$ 313,734 |
| <u>Sanitary Drain</u> | | | | | | |
| Storm Drain Manholes | 2.00 | EA | \$ 4,800.00 | \$ 9,600 | \$ 1,920 | \$ 11,520 |
| 15" PVC SDR35 Storm Drain | 269.00 | LF | \$ 64.00 | \$ 17,216 | \$ 3,443 | \$ 20,659 |
| 18" PVC SDR35 Storm Drain | 336.00 | LF | \$ 70.00 | \$ 23,520 | \$ 4,704 | \$ 28,224 |
| Catch Basins | 5.00 | EA | \$ 2,900.00 | \$ 14,500 | \$ 2,900 | \$ 17,400 |
| Tie to Existing | 2.00 | EA | \$ 1,250.00 | \$ 2,500 | \$ 500 | \$ 3,000 |
| STORM DRAIN SUB-TOTAL | | | | \$ 67,336 | \$ 13,467 | \$ 80,803 |
| <u>Street Lights</u> | | | | | | |
| Street Light (100W) | 20.00 | EA | \$ 6,500.00 | \$ 130,000 | \$ 26,000 | \$ 156,000 |
| STREET LIGHTS SUB-TOTAL | | | | \$ 130,000 | \$ 26,000 | \$ 156,000 |
| <u>Concrete R/W Improvements</u> | | | | | | |
| Type C Curb and Gutter | 9,487.00 | LF | \$ 21.00 | \$ 199,227 | \$ 39,845 | \$ 239,072 |
| 5' Sidewalk | 27,030.00 | SF | \$ 7.50 | \$ 202,725 | \$ 40,545 | \$ 243,270 |
| Handicap Ramps | 8.00 | EA | \$ 2,500.00 | \$ 20,000 | \$ 4,000 | \$ 24,000 |
| CONCRETE R/W IMPROVEMENTS SUB-TOTAL | | | | \$ 421,952 | \$ 84,390 | \$ 506,342 |
| <u>Finish / AC Improvements</u> | | | | | | |
| Onsite Grading ROW to ROW | 177,060.00 | SF | \$ 0.40 | \$ 70,824 | \$ 14,165 | \$ 84,989 |
| 4" AC Paving | 118,040.00 | SF | \$ 2.10 | \$ 247,884 | \$ 49,577 | \$ 297,461 |
| 14" Class II AB | 118,040.00 | SF | \$ 1.90 | \$ 224,276 | \$ 44,855 | \$ 269,131 |
| Signage and Striping | 1.00 | LS | \$ 15,000.00 | \$ 15,000 | \$ 3,000 | \$ 18,000 |
| FINISH / AC IMPROVEMENTS SUB-TOTAL | | | | \$ 557,984 | \$ 111,597 | \$ 669,581 |
| <u>Masonry Wall</u> | | | | | | |
| 6" Masonry Wall | 2,905.00 | LF | \$ 160.00 | \$ 464,800 | \$ 92,960 | \$ 557,760 |
| MASONRY WALL SUB-TOTAL | | | | \$ 464,800 | \$ 92,960 | \$ 557,760 |
| PHASE 6 TOTAL | | | | \$1,903,517 | \$ 380,703 | \$ 2,284,220 |

Footnotes:

¹Quantities, unit costs, and cost estimates from LJ Consultants Project Cost Summary dated 6/22/2016.

²Includes 20% for contingency and soft costs.

City of Salinas - Monte Bella
Community Facilities District No. 2016-1
Detail List of Potential Eligible Facilities

| DESCRIPTION | QTY ¹ | UNIT | UNIT PRICE ¹ | COST ESTIMATE ¹ | SOFT COSTS ² | TOTAL |
|---|------------------|------|-------------------------|-------------------------------|-------------------------|---------------------|
| Off-Site Improvements | | | | | | |
| <u>Finish / AC Improvements</u> | | | | | | |
| 6" AC Paving | 145,080.00 | SF | \$ 3.30 | \$ 478,764 | \$ 95,753 | \$ 574,517 |
| 18" Class II AB | 145,080.00 | SF | \$ 3.60 | \$ 522,288 | \$ 104,458 | \$ 626,746 |
| Signage and Striping | 1.00 | LS | \$ 35,000.00 | \$ 35,000 | \$ 7,000 | \$ 42,000 |
| FINISH / AC IMPROVEMENTS SUB-TOTAL | | | | \$ 1,036,052 | \$ 207,210 | \$ 1,243,262 |
| <u>Street Lights</u> | | | | | | |
| Street Light (100W) | 24.00 | EA | \$ 6,500.00 | \$ 156,000 | \$ 31,200 | \$ 187,200 |
| STREET LIGHTS SUB-TOTAL | | | | \$ 156,000 | \$ 31,200 | \$ 187,200 |
| <u>Concrete R/W Improvements</u> | | | | | | |
| Type C Curb and Gutter | 3,604.00 | LF | \$ 21.00 | \$ 75,684 | \$ 15,137 | \$ 90,821 |
| Type B Curb and Gutter | 3,690.00 | LF | \$ 25.00 | \$ 92,250 | \$ 18,450 | \$ 110,700 |
| 6' Sidewalk | 21,762.00 | SF | \$ 7.50 | \$ 163,215 | \$ 32,643 | \$ 195,858 |
| Handicap Ramps with Truncated Domes | 3.00 | EA | \$ 2,500.00 | \$ 7,500 | \$ 1,500 | \$ 9,000 |
| CONCRETE R/W IMPROVEMENTS SUB-TOTAL | | | | \$ 338,649 | \$ 67,730 | \$ 406,379 |
| <u>Frontage Landscaping (Bio Swales)</u> | | | | | | |
| Landscaping (Freedom Parkway = 1225 LF * 20' Average) | 24,500.00 | SF | \$ 8.00 | \$ 196,000 | \$ 39,200 | \$ 235,200 |
| Landscaping Sconberg Parkway = 2500 LF * 20' Average) | 50,000.00 | SF | \$ 8.00 | \$ 400,000 | \$ 80,000 | \$ 480,000 |
| Irrigation Controller | 1.00 | EA | \$ 15,000.00 | \$ 15,000 | \$ 3,000 | \$ 18,000 |
| Bio Swales | 27,202.50 | SF | \$ 5.00 | \$ 136,013 | \$ 27,203 | \$ 163,215 |
| CONCRETE R/W IMPROVEMENTS SUB-TOTAL | | | | \$ 747,013 | \$ 149,403 | \$ 896,415 |
| OFF-SITE IMPROVEMENTS TOTAL | | | | \$2,277,714 | \$ 455,543 | \$ 2,733,256 |
| ELIGIBLE FACILITIES TOTAL | | | | \$7,007,963 | \$ 1,401,593 | \$ 8,409,554 |

Footnotes:¹Quantities, unit costs, and cost estimates from LJ Consultants Project Cost Summary dated 6/22/2016.²Includes 20% for contingency and soft costs.

Exhibit C

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2016-1 IMPROVEMENT AREA NO. 1 OF THE CITY OF SALINAS (MONTE BELLA)

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes in the City of Salinas ("City") Community Facilities District No. 2016-1 ("CFD No. 2016-1"), Improvement Area No. 1 ("IA No. 1"). The Special Tax shall be levied on and collected in CFD No. 2016-1 IA No. 1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property within CFD No. 2016-1 IA No. 1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION 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 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, parcel map, condominium plan, or other recorded County parcel map or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of 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. 2016-1 IA No. 1: the costs of computing the Special Taxes and preparing the Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2016-1 IA No. 1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2016-1 IA No. 1 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2016-1 IA No. 1 or obligated persons associated with applicable federal and state securities laws and 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. 2016-1 IA No. 1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow

account; and the City's annual administration fees and third party expenses. Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2016-1 IA No. 1 for any other administrative purposes of CFD No. 2016-1 IA No. 1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Affordable Housing Property" means up to, but no more than, nine Assessor's Parcels of Residential Property within CFD No. 2016-1 IA No. 1 for which the City has designated such property as Affordable Housing Property.

"Approved Property" means all Assessor's Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax" means the Special Tax of that name described in Section D below.

"Backup Special Tax" means the Special Tax of that name described in Section E below.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes within CFD No. 2016-1 IA No. 1 have been pledged.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

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

"CFD No. 2016-1" means Community Facilities District No. 2016-1 established by the City under the Act.

"City" means the City of Salinas.

"City Council" means the City Council of the City of Salinas, acting as the Legislative Body of CFD No. 2016-1, or its designee.

"County" means the County of Monterey.

"Developed Property" means all Assessor's Parcels of Taxable for which a building permit for new construction was issued on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section J.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

"Fiscal Year" means the period commencing on July 1 of any year and ending the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"IA No. 1" means Improvement Area No. 1 of CFD No. 2016-1, as identified on the most recent boundary map for CFD No. 2016-1 on file with the County of Monterey Recorder's Office.

"Land Use Type" means any of the types listed in Table 1 of Section D.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C, that can be levied within CFD No. 2016-1 IA No. 1 in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax obligation for an Assessor's Parcel, as described in Section H.

"Prepayment Amount" means the amount required to prepay the Special Tax obligation in full for an Assessor's Parcel, as described in Section G.

"Proportionately" means that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax is equal for all applicable Assessor's Parcels. In case of Developed Property subject to the apportionment of the Special Tax under step four of Section F, "Proportionately" in step four means

that the quotient of (a) actual Special Tax less the Assigned Special Tax divided by (b) the Backup Special Tax less the Assigned Special Tax, is equal for all applicable Assessor's Parcels.

"Provisional Undeveloped Property" means all Assessor's Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to the provisions of Section J, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Section J.

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

"Single Family Property" means all Assessor's Parcels of Residential Property other than Affordable Housing Property.

"Single Family Unit" means a residential dwelling unit other than an Affordable Housing Unit.

"Special Tax" means any of the special taxes authorized to be levied within CFD No. 2016-1 IA No. 1 pursuant to the Act.

"Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) an amount equal to any anticipated shortfall due to Special Tax delinquencies in the prior Fiscal Year, and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2016-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property or Undeveloped Property as set forth in Step Two and Step Three of Section F., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

"Taxable Property" means all Assessor's Parcels within CFD No. 2016-1 IA No. 1, which are not Exempt Property.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Undeveloped Property.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor's Parcel within Improvement Area No. 1 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. In addition, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non-Residential Property.

Lastly, each Assessor's Parcel of Residential Property shall further be classified as a Single Family Property or Affordable Housing Property, and each Assessor's Parcel of Single Family Property shall be assigned to its appropriate Assigned Special Tax rate based on its Building Square Footage.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel of Single Family Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax or (ii) the Backup Special Tax.

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

Prior to the issuance of Bonds, the Assigned Special Tax on Developed Property set forth in Table 1 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in the Statement of Goals and Policies for the Use of the Mello-Roos Community Facilities Act of 1982 adopted by the City Council as of the date of formation of CFD No. 2016-1, the "Goals and Policies") calculated pursuant to the Goals and Policies exceeds the City's maximum level objective set forth in such document, the Maximum Special Tax on Developed Property may be reduced (by modifying Table 1) to the amount necessary to satisfy the City's objective with respect to the maximum overlapping debt burden level with the written consent of the CFD Administrator. In order to reduce the Maximum Special Tax on Developed Property it may be necessary to reduce the Maximum Special Tax for Undeveloped Property. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded by executing a certificate in substantially the form attached hereto as Exhibit "A" of the Rate and Method of Apportionment for Improvement Area No. 1.

2. Multiple Land Use Type

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Type. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all Land Use Types located on the Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

3. Approved Property, Undeveloped Property and Provisional Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property in any Fiscal Year shall be the applicable Assigned Special Tax.

SECTION D ASSIGNED SPECIAL TAX

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Single Family Property, or Non-Residential Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2016-17 shall be determined pursuant to Table 1 below.

TABLE 1

**Improvement Area No. 1
For Fiscal Year 2016-17
Assigned Special Tax for Developed Property**

| Land Use Type | Building Square Footage | Rate |
|--------------------------|--------------------------------|--------------------------------|
| Single Family Property | Up to 1,800 SF | \$2,337 per Single Family Unit |
| Single Family Property | 1,801 SF to 2,000 SF | \$2,427 per Single Family Unit |
| Single Family Property | 2,001 SF to 2,200 SF | \$2,524 per Single Family Unit |
| Single Family Property | 2,201 SF to 2,400 SF | \$2,623 per Single Family Unit |
| Single Family Property | Greater than 2,400 SF | \$2,720 per Single Family Unit |
| Non-Residential Property | N/A | \$24,911 per Acre |

2. Approved Property, Undeveloped Property and Provisional Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax rate for an Assessor's Parcel classified as Approved Property, Undeveloped Property and Provisional Undeveloped Property for Fiscal Year 2016-17 shall be \$24,911 per Acre.

SECTION E BACKUP SPECIAL TAX

At the time a Final Map is recorded, the Backup Special Tax for all Assessor's Parcels of Developed Property classified or reasonably expected to be classified as a Single Family Property within such Final Map area shall be determined by (i) multiplying (a) the Maximum Special Tax rate for Undeveloped Property by (b) the total Acreage of Taxable Property in such Final Map area, excluding Acreage classified as Provisional Undeveloped Property, Acreage classified or reasonably expected to be classified as Non-Residential Property, and any Acreage reasonably expected to be classified as Exempt Property in such Final Map area, and (ii) dividing the results in (i) by the total number of Single Family Units reasonably expected to be constructed within such Final Map area less the number of Affordable Housing Property units within CFD No. 2016-1 IA No. 1. The resulting quotient shall

be the Backup Special Tax for each Assessor's Parcel of Single Family Property within such Final Map area.

The Backup Special Tax shall not apply to Non-Residential Property.

Notwithstanding the foregoing, if Assessor's Parcels of Developed Property which are classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for the area that has been changed or modified shall be recalculated, based on the methodology above, to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

SECTION F METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing Fiscal Year 2016-17 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes on all Taxable Property in accordance with the following steps:

- Step One: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax rates in Table 1 to satisfy the Special Tax Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax as needed to satisfy the Special Tax Requirement.
- Step Five: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

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. 2016-1 IA No. 1.

SECTION G PREPAYMENT OF SPECIAL TAX

The following additional definitions apply to this Section G:

"CFD Public Facilities" means \$2,181,596 expressed in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower amount (i) determined by the City Council as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2016-1 IA No. 1, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2016-1 IA No. 1

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index 20-City average measured as of the Calendar Year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the City that is reasonably comparable to the Engineering News-Record Building Cost Index.

"Future Facilities Costs" means the CFD Public Facilities minus public facility costs available to be funded, or which have been funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued Bonds issued and secured by the levy of Special Taxes which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

The Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued or is expected to be issued, or an Assessor's Parcel of Provisional Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

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 notice the CFD Administrator shall notify such owner of the Prepayment Amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

| | |
|-------------|------------------------------------|
| | Bond Redemption Amount |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Cost |
| plus | Administrative Fee |
| less | Reserve Fund Credit |
| <u>less</u> | <u>Capitalized Interest Credit</u> |
| equals | Prepayment Amount |

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

1. For an Assessor's Parcel of Developed Property, compute the Assigned Special Tax and Backup Special Tax, if any, applicable to the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property, compute the Assigned Special Tax and the Backup Special Tax as though it was already designated as Developed Property based upon the building permit issued or expected to be issued for that Assessor's Parcel. For an Assessor's Parcel of Provisional Undeveloped Property compute the Assigned Special Tax for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property to be prepaid, (a) divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City, and (b) divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the Future Facilities Cost.

6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest redemption date for the Outstanding Bonds.
8. Determine the actual Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
9. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest redemption date for the Outstanding Bonds.
10. Add the amounts computed pursuant to paragraph 7 and 8 and subtract the amount computed pursuant to paragraph 9. This difference is the "Defeasance Cost."
11. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
12. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
13. If any capitalized interest for the Outstanding Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment. This amount is the "Capitalized Interest Credit."
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Cost, and the Administrative Fee, less the Reserve Fund Credit and the Capitalized Interest Credit.

15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 10, 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by Improvement Area No. 1.

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

With respect to a Special Tax obligation that is prepaid pursuant to this Section G, the CFD Administrator shall indicate in the records of CFD No. 2016-1 IA No. 1 that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX

The Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued or is expected to be issued, or and Assessor's Parcel of Provisional Undeveloped Property, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = (P_G - A) \times F + A$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.

P_G = the Prepayment Amount calculated according to Section G.

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax obligation.

A = the Administrative Fee calculated according to Section G.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G, and (ii) indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax obligation to indicate the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. The Special Tax shall cease not later than the 2056-57 Fiscal Year, provided however that the 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. 2016-1 IA No. 1 Bonds have been paid; (ii) all authorized facilities for CFD No. 2016-1 have been acquired and all reimbursements for eligible facilities have been paid, (iii) no delinquent Special Taxes remain uncollected and (iv) all other obligations of Improvement Area No. 1 have been satisfied.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property, in order of priority, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 7.71 Acres, or (vii) up to, but no more than, nine Assessor's Parcels within CFD No. 2016-1 IA No. 1 that have been designated as Affordable Housing Property by the City.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 7.71 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 7.71 Acres will be classified as Provisional Undeveloped Property, and will be subject to Special Taxes pursuant to Step Five in Section F.

SECTION K MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2016-1 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.

SECTION L APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than thirty-six (36) months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the CFD Administrator's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, the CFD Administrator shall take one of the following actions, in order of priority, in order to correct the error:

- i. amend the Special Tax levy for the current fiscal year prior to the payment date;
- ii. require CFD No. 2016-1 to reimburse the taxpayer the amount of the overpayment to the extent of available funds; or
- iii. grant a credit against, eliminate, or reduce the future Special Tax levied on the taxpayer's property in the amount of the overpayment.

The City 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 residents appeals. Any decision of the City Council shall be final and binding as to all persons.

EXHIBIT "A"
OF THE RATE AND METHOD OF APPORTIONMENT
FOR IMPROVEMENT AREA NO. 1

CITY OF SALINAS AND CFD NO. 2016-1, IMPROVEMENT AREA NO. 1 CERTIFICATE

1. Pursuant to Section C of the Rate and Method of Apportionment of Special Tax (the "RMA"), the City of Salinas (the "City") and Community Facilities District No. 2016-1, Improvement Area No. 1 of the City of Salinas ("CFD No.2016-1 IA No. 1") hereby agree to a reduction in the Maximum Special Taxes:

(a) The information in Table 1 relating to the Maximum Special Tax for Developed Property, Approved Property, and/or Undeveloped Property within CFD No.2016-1 IA No. 1 shall be modified as follows:

[insert Table 1 showing effective change to special tax rates]

2. Table 1 may only be modified prior to the issuance of Bonds.

3. Upon execution of the Certificate by the City and CFD No.2016-1 IA No. 1 the City shall cause an amended Notice of Special Tax Lien for CFD No. 2016-1 IA No. 1 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City of Salinas and CFD No.2016-1 IA No. 1 receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF SALINAS

By: _____
CFD Administrator

Date: _____

COMMUNITY FACILITIES DISTRICT NO. 2016-1
IMPROVEMENT AREA NO. 1
OF THE CITY OF SALINAS

By: _____

Date: _____

Exhibit D

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2016-1 IMPROVEMENT AREA NO. 2 OF THE CITY OF SALINAS (MONTE BELLA)

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes in the City of Salinas ("City") Community Facilities District No. 2016-1 ("CFD No. 2016-1"), Improvement Area No. 2 ("IA No. 2"). The Special Tax shall be levied on and collected in CFD No. 2016-1 IA No. 2 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property within CFD No. 2016-1 IA No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION 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 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, parcel map, condominium plan, or other recorded County parcel map or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of 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. 2016-1 IA No. 2: the costs of computing the Special Taxes and preparing the Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2016-1 IA No. 2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2016-1 IA No. 2 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2016-1 IA No. 2 or obligated persons associated with applicable federal and state securities laws and 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. 2016-1 IA No. 2 or any designee

thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2016-1 IA No. 2 for any other administrative purposes of CFD No. 2016-1 IA No. 2 , including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Affordable Housing Property" means up to, but no more than, eight Assessor's Parcels of Residential Property within CFD No. 2016-1 IA No. 2 for which the City has designated such property as Affordable Housing Property.

"Approved Property" means all Assessor's Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax" means the Special Tax of that name described in Section D below.

"Backup Special Tax" means the Special Tax of that name described in Section E below.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes within CFD No. 2016-1 IA No. 2 have been pledged.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

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

"CFD No. 2016-1" means Community Facilities District No. 2016-1 established by the City under the Act.

"City" means the City of Salinas.

"City Council" means the City Council of the City of Salinas, acting as the Legislative Body of CFD No. 2016-1, or its designee.

"County" means the County of Monterey.

"Developed Property" means all Assessor's Parcels of Taxable for which a building permit for new construction was issued on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section J.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

"Fiscal Year" means the period commencing on July 1 of any year and ending the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"IA No. 2" means Improvement Area No. 2 of CFD No. 2016-1, as identified on the most recent boundary map for CFD No. 2016-1 on file with the County of Monterey Recorder's Office.

"Land Use Type" means any of the types listed in Table 1 of Section D.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C, that can be levied within CFD No. 2016-1 IA No. 2 in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax obligation for an Assessor's Parcel, as described in Section H.

"Prepayment Amount" means the amount required to prepay the Special Tax obligation in full for an Assessor's Parcel, as described in Section G.

"Proportionately" means that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax is equal for all applicable Assessor's Parcels. In case of Developed Property subject to the apportionment of the Special Tax under step four of Section F, "Proportionately" in step four means that the quotient of (a) actual Special Tax less the Assigned Special Tax divided by (b) the Backup Special Tax less the Assigned Special Tax, is equal for all applicable Assessor's Parcels.

"Provisional Undeveloped Property" means all Assessor's Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to the provisions of Section J, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Section J.

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

"Single Family Property" means all Assessor's Parcels of Residential Property other than Affordable Housing Property.

"Single Family Unit" means a residential dwelling unit other than an Affordable Housing Unit.

"Special Tax" means any of the special taxes authorized to be levied within CFD No. 2016-1 IA No. 2 pursuant to the Act.

"Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) an amount equal to any anticipated shortfall due to Special Tax delinquencies in the prior Fiscal Year, and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2016-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property or Undeveloped Property as set forth in Step Two and Step Three of Section F., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

"Taxable Property" means all Assessor's Parcels within CFD No. 2016-1 IA No. 2, which are not Exempt Property.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Undeveloped Property.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor's Parcel within Improvement Area No. 2 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. In addition, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non-Residential Property. Lastly, each Assessor's Parcel of Residential Property shall further be classified as a Single Family Property or Affordable Housing Property, and each Assessor's Parcel of Single Family Property shall be assigned to its appropriate Assigned Special Tax rate based on its Building Square Footage.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel of Single Family Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax or (ii) the Backup Special Tax.

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

Prior to the issuance of Bonds, the Assigned Special Tax on Developed Property set forth in Table 1 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in the Statement of Goals and Policies for the Use of the Mello-Roos Community Facilities Act of 1982 adopted by the City Council as of the date of formation of CFD No. 2016-1, the "Goals and Policies") calculated pursuant to the Goals and Policies exceeds the City's maximum level objective set forth in such document, the Maximum Special Tax on Developed Property may be reduced (by modifying Table 1) to the amount necessary to satisfy the City's objective with respect to the maximum overlapping debt burden level with the written consent of the CFD Administrator. In order to reduce the Maximum Special Tax on Developed Property it may be necessary to reduce the Maximum Special Tax for Undeveloped Property. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded by executing a certificate in substantially the form attached hereto as Exhibit "A".

2. Multiple Land Use Type

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Type. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all Land Use Types located on the Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

3. Approved Property, Undeveloped Property and Provisional Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property in any Fiscal Year shall be the applicable Assigned Special Tax.

SECTION D ASSIGNED SPECIAL TAX

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Single Family Property or Non-Residential Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2016-17 shall be determined pursuant to Table 1 below.

TABLE 1
Improvement Area No. 2
For Fiscal Year 2016-17
Assigned Special Tax for Developed Property

| Land Use Type | Building Square Footage | Rate |
|--------------------------|--------------------------------|--------------------------------|
| Single Family Property | Up to 1,800 SF | \$2,337 per Single Family Unit |
| Single Family Property | 1,801 SF to 2,000 SF | \$2,427 per Single Family Unit |
| Single Family Property | 2,001 SF to 2,200 SF | \$2,524 per Single Family Unit |
| Single Family Property | 2,201 SF to 2,400 SF | \$2,623 per Single Family Unit |
| Single Family Property | Greater than 2,400 SF | \$2,720 per Single Family Unit |
| Non-Residential Property | N/A | \$24,007 per Acre |

2. Approved Property, Undeveloped Property and Provisional Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax rate for an Assessor's Parcel classified as Approved Property, Undeveloped Property and Provisional Undeveloped Property for Fiscal Year 2016-17 shall be \$24,007 per Acre.

SECTION E BACKUP SPECIAL TAX

At the time a Final Map is recorded, the Backup Special Tax for all Assessor's Parcels of Developed Property classified or reasonably expected to be classified as a Single Family Property within such

Final Map area shall be determined by (i) multiplying (a) the Maximum Special Tax rate for Undeveloped Property by (b) the total Acreage of Taxable Property in such Final Map area, excluding Acreage classified as Provisional Undeveloped Property, Acreage classified or reasonably expected to be classified as Non-Residential Property, and any Acreage reasonably expected to be classified as Exempt Property in such Final Map area, and (ii) dividing the results in (i) by the total number of Single Family Units reasonably expected to be constructed within such Final Map area less the number of Affordable Housing Property units within CFD No. 2016-1 IA No. 2. The resulting quotient shall be the Backup Special Tax for each Assessor's Parcel of Single Family Property within such Final Map area.

The Backup Special Tax shall not apply to Non-Residential Property.

Notwithstanding the foregoing, if Assessor's Parcels of Developed Property which are classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for the area that has been changed or modified shall be recalculated, based on the methodology above, to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

SECTION F METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing Fiscal Year 2016-17 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes on all Taxable Property in accordance with the following steps:

- Step One: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax rates in Table 1 to satisfy the Special Tax Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax on each Assessor's Parcel of

Developed Property whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax as needed to satisfy the Special Tax Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

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. 2016-1 IA No. 2.

SECTION G PREPAYMENT OF SPECIAL TAX

The following additional definitions apply to this Section G:

"CFD Public Facilities" means \$1,938,924 expressed in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower amount (i) determined by the City Council as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2016-1 IA No. 2, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2016-1 IA No. 2

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index 20-City average measured as of the Calendar Year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the City that is reasonably comparable to the Engineering News-Record Building Cost Index.

"Future Facilities Costs" means the CFD Public Facilities minus public facility costs available to be , or which have been funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued Bonds issued and secured by the levy of Special Taxes which will remain outstanding after the first interest and/or principal payment date following

the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

The Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued or is expected to be issued, or an Assessor's Parcel of Provisional Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

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 notice the CFD Administrator shall notify such owner of the Prepayment Amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

| | |
|-------------|------------------------------------|
| | Bond Redemption Amount |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Cost |
| plus | Administrative Fee |
| less | Reserve Fund Credit |
| <u>less</u> | <u>Capitalized Interest Credit</u> |
| equals | Prepayment Amount |

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

1. For an Assessor's Parcel of Developed Property, compute the Assigned Special Tax and Backup Special Tax, if any, applicable to the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property, compute the Assigned Special Tax and the Backup Special Tax as though it was already designated as Developed Property based upon the building permit issued or expected to be issued for that Assessor's Parcel. For an Assessor's Parcel of Provisional Undeveloped Property compute the Assigned Special Tax for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property to be prepaid, (a) divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City, and (b) divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum

- of the estimated Backup Special Tax applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds. The product shall be the "Bond Redemption Amount".
 4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
 5. Compute the Future Facilities Cost.
 6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").
 7. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest redemption date for the Outstanding Bonds.
 8. Determine the actual Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
 9. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest redemption date for the Outstanding Bonds.
 10. Add the amounts computed pursuant to paragraph 7 and 8 and subtract the amount computed pursuant to paragraph 9. This difference is the "Defeasance Cost."
 11. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
 12. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

13. If any capitalized interest for the Outstanding Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment. This amount is the "Capitalized Interest Credit."
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Cost, and the Administrative Fee, less the Reserve Fund Credit and the Capitalized Interest Credit.
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 10, 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by Improvement Area No. 2.

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

With respect to a Special Tax obligation that is prepaid pursuant to this Section G, the CFD Administrator shall indicate in the records of CFD No. 2016-1 IA No. 2 that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H

PARTIAL PREPAYMENT OF SPECIAL TAX

The Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued or is expected to be issued, or and Assessor's Parcel of Provisional Undeveloped Property, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Taxes,

penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = (P_G - A) \times F + A$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.

P_G = the Prepayment Amount calculated according to Section G.

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax obligation.

A = the Administrative Fee calculated according to Section G.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G, and (ii) indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax obligation to indicate the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. The Special Tax shall cease not later than the 2056-57 Fiscal Year, provided however that the 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. 2016-1 IA No. 2 Bonds have been paid; (ii) all authorized facilities for CFD No. 2016-1 have been acquired and all reimbursements for eligible facilities have been paid, (iii) no delinquent Special Taxes remain uncollected and (iv) all other obligations of Improvement Area No. 2 have been satisfied.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property, in order of priority, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 6.64 Acres, or (vii) up to, but no more than, eight Assessor's Parcels within CFD No. 2016-1 IA No. 2 that have been designated as Affordable Housing Property by the City.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 6.64 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 6.64 Acres will be classified as Provisional Undeveloped Property, and will be subject to Special Taxes pursuant to Step Five in Section F.

SECTION K MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2016-1 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.

SECTION L APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than thirty-six (36) months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the CFD Administrator's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, the CFD Administrator shall take one of the following actions, in order of priority, in order to correct the error:

- i. amend the Special Tax levy for the current fiscal year prior to the payment date;
- ii. require CFD No. 2016-1 to reimburse the taxpayer the amount of the overpayment to the extent of available funds; or
- iii. grant a credit against, eliminate, or reduce the future Special Tax levied on the taxpayer's property in the amount of the overpayment.

The City 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 residents appeals. Any decision of the City Council shall be final and binding as to all persons.

EXHIBIT "A"
OF THE RATE AND METHOD OF APPORTIONMENT
FOR IMPROVEMENT AREA NO. 2

CITY OF SALINAS AND CFD NO. 2016-1, IMPROVEMENT AREA NO. 2 CERTIFICATE

1. Pursuant to Section C of the Rate and Method of Apportionment of Special Tax (the "RMA"), the City of Salinas (the "City") and Community Facilities District No. 2016-1, Improvement Area No. 2 of the City of Salinas ("CFD No.2016-1 IA No. 2") hereby agree to a reduction in the Maximum Special es:

(a) The information in Table 1 relating to the Maximum Special Tax for Developed Property, Approved Property, and/or Undeveloped Property within CFD No.2016-1 IA No. 2 shall be modified as follows:

[insert Table 1 showing effective change to special tax]

2. Table 1 may only be modified prior to the issuance of Bonds.

3. Upon execution of the Certificate by the City and CFD No.2016-1 IA No. 2 the City shall cause an amended Notice of Special Tax Lien for CFD No. 2016-1 IA No. 2 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City of Salinas and CFD No.2016-1 IA No. 2 receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF SALINAS

By: _____
 CFD Administrator

Date: _____

COMMUNITY FACILITIES DISTRICT NO. 2016-1
 IMPROVEMENT AREA NO. 2
 OF THE CITY OF SALINAS

By: _____

Date: _____

Exhibit D

Rate and Method of Apportionment
 Improvement Area No. 2



Exhibit E

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2016-1 IMPROVEMENT AREA NO. 2 OF THE CITY OF SALINAS (MONTE BELLA)

The following sets forth the Rate and Method of Apportionment for the levy and collection of Special Taxes in the City of Salinas ("City") Community Facilities District No. 2016-1 ("CFD No. 2016-1"), Improvement Area No. 3 ("IA No. 3"). The Special Tax shall be levied on and collected in CFD No. 2016-1 IA No. 3 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property within CFD No. 2016-1 IA No. 3, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION 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 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, parcel map, condominium plan, or other recorded County parcel map or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of 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. 2016-1 IA No. 3: the costs of computing the Special Taxes and preparing the Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2016-1 IA No. 3 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2016-1 IA No. 3 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2016-1 IA No. 3 or obligated persons associated with applicable federal and state securities laws and 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. 2016-1 IA No. 3 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an

escrow account; and the City's annual administration fees and third party expenses. Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2016-1 IA No. 3 for any other administrative purposes of CFD No. 2016-1 IA No. 3 , including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Approved Property" means all Assessor's Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax" means the Special Tax of that name described in Section D below.

"Backup Special Tax" means the Special Tax of that name described in Section E below.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Taxes within CFD No. 2016-1 IA No. 3 have been pledged.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor's Parcel.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

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

"CFD No. 2016-1" means Community Facilities District No. 2016-1 established by the City under the Act.

"City" means the City of Salinas.

"City Council" means the City Council of the City of Salinas, acting as the Legislative Body of CFD No. 2016-1, or its designee.

"County" means the County of Monterey.

"Developed Property" means all Assessor's Parcels of Taxable for which a building permit for new construction was issued on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section J.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision.

"Fiscal Year" means the period commencing on July 1 of any year and ending the following June 30.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Improvement Area No. 3" means Improvement Area No. 3 of CFD No. 2016-1, as identified on the most recent boundary map for CFD No. 2016-1 on file with the County of Monterey Recorder's Office.

"Land Use Type" means any of the types listed in Table 1 of Section D.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C, that can be levied within CFD No. 2016-1 IA No. 3 in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax obligation for an Assessor's Parcel, as described in Section H.

"Prepayment Amount" means the amount required to prepay the Special Tax obligation in full for an Assessor's Parcel, as described in Section G.

"Proportionately" means that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax is equal for all applicable Assessor's Parcels. In case of Developed Property subject to the apportionment of the Special Tax under step four of Section F, "Proportionately" in step four means that the quotient of (a) actual Special Tax less the Assigned Special Tax divided by (b) the Backup Special Tax less the Assigned Special Tax, is equal for all applicable Assessor's Parcels.

"Provisional Undeveloped Property" means all Assessor's Parcels of Taxable Property that would otherwise be classified as Exempt Property pursuant to the provisions of Section J, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Section J.

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

"Single Family Property" means all Assessor's Parcels of Residential .

"Single Family Unit" means a residential dwelling unit.

"Special Tax" means any of the special taxes authorized to be levied within CFD No. 2016-1 IA No. 3 pursuant to the Act.

"Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) an amount equal to any anticipated shortfall due to Special Tax delinquencies in the prior Fiscal Year, and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2016-1 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax on Approved Property or Undeveloped Property as set forth in Step Two and Step Three of Section F., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

"Taxable Property" means all Assessor's Parcels within CFD No. 2016-1 IA No. 3, which are not Exempt Property.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Undeveloped Property.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor's Parcel within Improvement Area No. 3 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property. In addition, each Assessor's Parcel of Developed Property shall further be classified as Residential Property or Non-Residential Property. Lastly, each Assessor's Parcel of Residential Property shall further be classified as a Single Family Property or Affordable Housing Property, and each Assessor's Parcel of Single Family Property shall be assigned to its appropriate Assigned Special Tax rate based on its Building Square Footage.

SECTION C MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel of Single Family Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax or (ii) the Backup Special Tax.

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

Prior to the issuance of Bonds, the Assigned Special Tax on Developed Property set forth in Table 1 may be reduced in accordance with, and subject to the conditions set forth in this paragraph. If it is reasonably determined by the CFD Administrator that the overlapping debt burden (as defined in the Statement of Goals and Policies for the Use of the Mello-Roos Community Facilities Act of 1982 adopted by the City Council as of the date of formation of CFD No. 2016-1, the "Goals and Policies") calculated pursuant to the Goals and Policies exceeds the City's maximum level objective set forth in such document, the Maximum Special Tax on Developed Property may be reduced (by modifying Table 1) to the amount necessary to satisfy the City's objective with respect to the maximum overlapping debt burden level with the written consent of the CFD Administrator. In order to reduce the Maximum Special Tax on Developed Property it may be necessary to reduce the Maximum Special Tax for Undeveloped Property. The reductions permitted pursuant to this paragraph shall be reflected in an amended Notice of Special Tax Lien which the City shall cause to be recorded by executing a certificate in substantially the form attached hereto as Exhibit "A".

2. Multiple Land Use Type

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Type. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for all Land Use Types located on the Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

3. Approved Property, Undeveloped Property and Provisional Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property in any Fiscal Year shall be the applicable Assigned Special Tax.

SECTION D ASSIGNED SPECIAL TAX

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Single Family Property or Non-Residential Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2016-17 shall be determined pursuant to Table 1 below.

TABLE 1
Improvement Area No. 3
For Fiscal Year 2016-17
Assigned Special Tax for Developed Property

| Land Use Type | Building Square Footage | Rate |
|--------------------------|--------------------------------|--------------------------------|
| Single Family Property | Up to 2,250 SF | \$2,492 per Single Family Unit |
| Single Family Property | 2,251 SF to 2,500 SF | \$2,654 per Single Family Unit |
| Single Family Property | 2,501 SF to 2,750 SF | \$2,785 per Single Family Unit |
| Single Family Property | Greater than 2,750 SF | \$2,882 per Single Family Unit |
| Non-Residential Property | N/A | \$17,452 per Acre |

2. Approved Property, Undeveloped Property and Provisional Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax rate for an Assessor's Parcel classified as Approved Property, Undeveloped Property and Provisional Undeveloped Property for Fiscal Year 2016-17 shall be \$17,452 per Acre.

SECTION E BACKUP SPECIAL TAX

At the time a Final Map is recorded, the Backup Special Tax for all Assessor's Parcels of Developed Property classified or reasonably expected to be classified as a Single Family Property within such Final Map area shall be determined by (i) multiplying (a) the Maximum Special Tax rate for Undeveloped Property by (b) the total Acreage of Taxable Property in such Final Map area, excluding Acreage classified as Provisional Undeveloped Property, Acreage classified or reasonably expected to be classified as Non-Residential Property, and any Acreage reasonably expected to be classified as Exempt Property in such Final Map area, and (ii) dividing the results in (i) by the total number of Single Family Units reasonably expected to be constructed within such Final Map area less the number

of Affordable Housing Property units within CFD No. 2016-1 IA No. 3. The resulting quotient shall be the Backup Special Tax for each Assessor's Parcel of Single Family Property within such Final Map area.

The Backup Special Tax shall not apply to Non-Residential Property.

Notwithstanding the foregoing, if Assessor's Parcels of Developed Property which are classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for the area that has been changed or modified shall be recalculated, based on the methodology above, to equal the amount of Backup Special Tax that would have been generated if such change did not take place.

SECTION F

METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing Fiscal Year 2016-17 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes on all Taxable Property in accordance with the following steps:

- Step One: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax rates in Table 1 to satisfy the Special Tax Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax as needed to satisfy the Special Tax Requirement.
- Step Five: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each

Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement.

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. 2016-1 IA No. 3.

SECTION G PREPAYMENT OF SPECIAL TAX

The following additional definitions apply to this Section G:

"CFD Public Facilities" means \$2,648,863 expressed in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower amount (i) determined by the City Council as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2016-1 IA No. 3, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2016-1 IA No. 3

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index 20-City average measured as of the Calendar Year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the City that is reasonably comparable to the Engineering News-Record Building Cost Index.

"Future Facilities Costs" means the CFD Public Facilities minus public facility costs available to be funded, or which have been funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued Bonds issued and secured by the levy of Special Taxes which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of.

The Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued or is expected to be issued, or an Assessor's Parcel of Provisional Undeveloped Property may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with

respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

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 notice the CFD Administrator shall notify such owner of the Prepayment Amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

| | |
|-------------|------------------------------------|
| | Bond Redemption Amount |
| plus | Redemption Premium |
| plus | Future Facilities Amount |
| plus | Defeasance Cost |
| plus | Administrative Fee |
| less | Reserve Fund Credit |
| <u>less</u> | <u>Capitalized Interest Credit</u> |
| equals | Prepayment Amount |

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

1. For an Assessor's Parcel of Developed Property, compute the Assigned Special Tax and Backup Special Tax, if any, applicable to the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property, compute the Assigned Special Tax and the Backup Special Tax as though it was already designated as Developed Property based upon the building permit issued or expected to be issued for that Assessor's Parcel. For an Assessor's Parcel of Provisional Undeveloped Property compute the Assigned Special Tax for that Assessor's Parcel.
2. For each Assessor's Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Undeveloped Property to be prepaid, (a) divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City, and (b) divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds. The product shall be the "Bond Redemption Amount".

4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the Future Facilities Cost
6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest redemption date for the Outstanding Bonds.
8. Determine the actual Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
9. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest redemption date for the Outstanding Bonds.
10. Add the amounts computed pursuant to paragraph 7 and 8 and subtract the amount computed pursuant to paragraph 9. This difference is the "Defeasance Cost."
11. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
12. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
13. If any capitalized interest for the Outstanding Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment. This amount is the "Capitalized Interest Credit."

14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Cost, and the Administrative Fee, less the Reserve Fund Credit and the Capitalized Interest Credit.
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 10, 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by Improvement Area No. 3.

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

With respect to a Special Tax obligation that is prepaid pursuant to this Section G, the CFD Administrator shall indicate in the records of CFD No. 2016-1 IA No. 3 that there has been a prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Taxes shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX

The Special Tax obligation of an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Approved Property or Undeveloped Property for which a building permit has been issued or is expected to be issued, or and Assessor's Parcel of Provisional Undeveloped Property, as calculated in this Section H below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = (P_G - A) \times F + A$$

The terms above have the following meanings:

PP = the Partial Prepayment Amount.

P_G = the Prepayment Amount calculated according to Section G.

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax obligation.

A = the Administrative Fee calculated according to Section G.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G, and (ii) indicate in the records of CFD No. 2016-1 that there has been a partial prepayment of the Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax obligation to indicate the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. The Special Tax shall cease not later than the 2056-57 Fiscal Year, provide however that the 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. 2016-1 IA No. 3 Bonds have been paid; (ii) all authorized facilities for CFD No. 2016-1 have been acquired and all reimbursements for eligible facilities have been paid, (iii) no delinquent Special Taxes remain uncollected and (iv) all other obligations of Improvement Area No. 3 have been satisfied.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property, in order of priority, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 12.08 Acres.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 12.08 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 12.08 Acres will be classified as Provisional Undeveloped Property, and will be subject to Special Taxes pursuant to Step Five in Section F.

SECTION K MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2016-1 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.

SECTION L APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than thirty-six (36) months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the CFD Administrator's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, the CFD Administrator shall take one of the following actions, in order of priority, in order to correct the error:

- iv. amend the Special Tax levy for the current fiscal year prior to the payment date;

- v. require CFD No. 2016-1 to reimburse the taxpayer the amount of the overpayment to the extent of available funds; or
- vi. grant a credit against, eliminate, or reduce the future Special Tax levied on the taxpayer's property in the amount of the overpayment.

The City 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 residents appeals. Any decision of the City Council shall be final and binding as to all persons.

EXHIBIT "A"
OF THE RATE AND METHOD OF APPORTIONMENT
FOR IMPROVEMENT AREA NO. 3

CITY OF SALINAS AND CFD NO. 2016-1, IMPROVEMENT AREA NO. 3 CERTIFICATE

1. Pursuant to Section C of the Rate and Method of Apportionment of Special Tax (the "RMA"), the City of Salinas (the "City") and Community Facilities District No. 2016-1, Improvement Area No. 3 of the City of Salinas ("CFD No.2016-1 IA No. 3") hereby agree to a reduction in the Maximum Special es:

(b) The information in Table 1 relating to the Maximum Special Tax for Developed Property and/or Undeveloped Property within CFD No.2016-1 IA No. 3 shall be modified as follows:

[insert Table 1 showing effective change to special tax]

2. Table 1 may only be modified prior to the issuance of Bonds.

3. Upon execution of the Certificate by the City and CFD No.2016-1 IA No. 3 the City shall cause an amended Notice of Special Tax Lien for CFD No. 2016-1 IA No. 3 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City of Salinas and CFD No.2016-1 IA No. 3 receipt of this Certificate and modification of the RMA as set forth in this Certificate.

CITY OF SALINAS

By: _____
CFD Administrator

Date: _____

COMMUNITY FACILITIES DISTRICT NO. 2016-1
IMPROVEMENT AREA NO. 3
OF THE CITY OF SALINAS

By: _____

Date: _____

Exhibit E**Property Owner List**

| APN | Owner | Acreage |
|-------------|--|----------------|
| 153-671-004 | Canadian Pacific Lands, LLC and Strack Farms Land, LLC | 47.4 |

