



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

CONSENT
 July 17, 2007

Honorable Mayor and
 Members of the City Council

Title: Initiate Formation Proceedings for **Natomas Meadows Community Facilities District (CFD) No. 2007-01**

Location/Council District: North Natomas – Southeast of Del Paso Road and Gateway Park Boulevard, located in Council District 1 (Location Map, Page 5)

Recommendation: **Adopt** (1) a **resolution** approving the bond-counsel agreement; (2) a **resolution** of intention to levy a special tax, approve the boundary map, and set the public hearing date for August 21, 2007; and (3) a **resolution** of intention to incur bonded indebtedness.

Contact: Mark Griffin, Fiscal Manager, (916) 808-8788; Salina Cheung, Program Specialist, (916) 808-5236

Presenters: N/A

Department: Planning Department

Division: Public Improvement Financing

Organization No: 4915

Description/Analysis

Issue: Pardee Homes, the property owner of the Natomas Meadows development, has applied to the City to form a CFD to sell bonds. The bond proceeds will partially reimburse the owner for development fees and costs for public infrastructure. Approval of the CFD will authorize the City to sell bonds and to levy the special tax to pay for the bonds.

Policy Considerations: The procedures under which this district is being formed are set forth in title 5, division 2, chapter 2.5 of the Government Code, sections 53311-53368.3, entitled "The Mello-Roos Community Facilities Act of 1982." Formation of the Natomas Meadows CFD is consistent with the City's Strategic Plan to achieve sustainability and enhance livability and to expand economic development throughout the City.

Environmental Considerations: Under the California Environmental Quality

Act Guidelines, the formation of community facilities districts does not constitute a project and is therefore exempt from review.

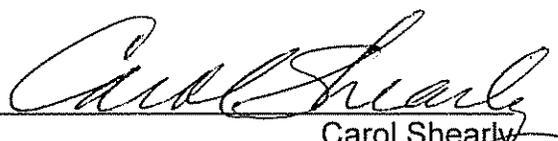
Rationale for Recommendation: The actions in the recommended Resolutions are required by the Mello-Roos Community Facilities Act of 1982 in order to initiate the process to form a CFD.

Financial Considerations: There will be no impact to the general fund. The owner will fund fees and improvements and be reimbursed at a later time if and when sufficient bond proceeds are available.

The bond sale for this district is anticipated to occur during 2008, depending on market conditions, and will not exceed \$27,500,000. One bond sale is planned.

Emerging Small Business Development (ESBD): City Council approval of these proceedings is not affected by City policy related to the ESBD Program.

Respectfully Submitted by: 
Mark Griffin
for Fiscal Manager

Approved by: 
Carol Shearly
Director of Planning

Recommendation Approved:

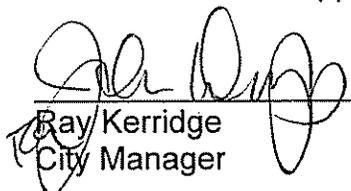

Ray Kerridge
City Manager

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ATTACHMENT 1**BACKGROUND**

The proposed Natomas Meadows CFD No. 2007-01 consists of approximately 115 gross developable acres. The project includes approximately 637 single-family lots, 120 condominiums, and 135 multifamily units. The proposed CFD encompasses all but the multifamily units on 6.9 acres. Also included in the project are a 13-acre park and a 5-acre detention basin.

The developer proposes to construct the financed improvements in one phase with one bond sale being proposed. Construction is estimated to be completed in 2008.

Purpose of the CFD

The proposed district will finance certain development fees and public improvements within the public right-of-way and adjacent public-utility easements of the major public roads intersecting and/or bordering the district boundary. A full description of the improvements is shown as Exhibits B and C to the resolution of intention to form the district.

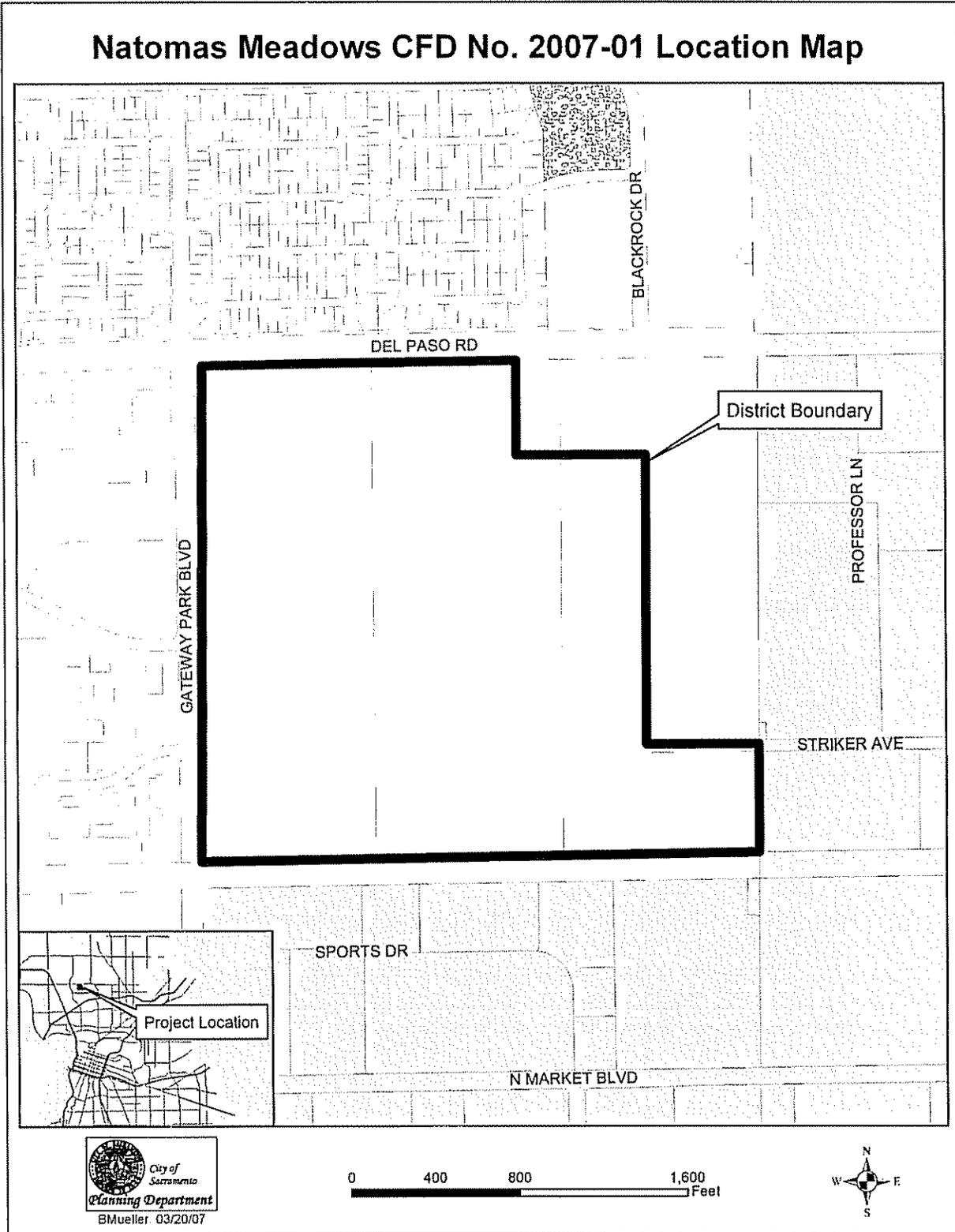
CFD Special Election Proceedings

The proposed district will be formed in compliance with the Mello-Roos Community Facilities District Act of 1982. As part of the formation proceedings, a special election on the special tax is required. In this case, where there are fewer than 12 registered voters, the vote is by landowners, with each landowner having one vote for each acre or portion of an acre he or she owns within the proposed CFD. There is one landowner within this proposed CFD. The City may not levy the tax unless at least two-thirds of the votes cast are in favor of it. A schedule for the CFD proceedings is provided on Attachment 3.

Special Tax Formula

The rate and method of apportionment (RMA) of the special tax is attached as Exhibit D to the resolution of intention to establish the district. The special tax is applied to both developed and undeveloped properties. The maximum special-tax rates for developed properties are shown in section D, table 1 of the RMA. The maximum special-tax rate for residential property ranges from \$842 to \$2,613 per residential unit, depending on tax zone and floor space. The maximum special-tax rate for undeveloped property ranges from \$50,943 to \$26,235 per acre depending on tax zone. The rates escalate 2% annually to compensate for inflation.

ATTACHMENT 2



ATTACHMENT 3
SCHEDULE OF FORMATION PROCEEDINGS

PROPOSED
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT
(CFD) NO. 2007-01

July 17, 2007	<p>City Council – Initiate Proceedings</p> <ul style="list-style-type: none"> o Adopt Resolution Approving Agreement for Legal Services o Adopt Resolution of Intention To Form CFD and Levy Special Tax (sets hearing date and approves boundary map) o Adopt Resolution of Intention to Incur Bonded Indebtedness
July 18, 2007	Mail and Publish Notice of Hearing and record Boundary Map
August 21, 2007	<p>City Council – Public Hearing and Notice for a Special Election</p> <ul style="list-style-type: none"> o Conduct Public Hearing o Adopt Resolutions approving various Joint Community Facilities Agreements (if needed) o Adopt Resolution of Formation o Adopt Resolution to Incur Debt o Adopt Resolution Calling Special Election
August 22, 2007	Mail Special Election Ballots
September 14, 2007	Special Election Ballots Due
September 25, 2007	<p>City Council</p> <ul style="list-style-type: none"> o Adopt Resolution Declaring Results of Special Election o Pass for Publication Ordinance to Levy Tax
September 26, 2007	Record Notice of "Special Tax"
October 2, 2007	<p>City Council</p> <ul style="list-style-type: none"> o Adopt Ordinance to Levy Special Tax

RESOLUTION NO.

Adopted by the Sacramento City Council

**APPROVING AGREEMENT FOR LEGAL SERVICES NATOMAS
MEADOWS COMMUNITY FACILITIES DISTRICT
NO. 2007-01, CITY OF SACRAMENTO
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA**

BACKGROUND

- A.** The City Council of the City of Sacramento is undertaking proceedings pursuant to the Mello-Roos Community Facilities Act of 1982 to consider the formation of a community facilities district to be known and designated as "Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California" (the "CFD"); the authorization of a special tax within the CFD; and the authorization and issuance of bonds of the CFD.
- B.** The City Council is fully advised in this matter.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. The City Council finds that the statements in the Background are true.

Section 2. The City Council approves that certain Agreement for Legal Services, dated July 17, 2007, between the City and Orrick, Herrington & Sutcliffe LLP, marked Exhibit A and attached hereto and incorporated herein, for services of that firm as special bond counsel to the City in connection with the CFD. The City Attorney is authorized to sign the agreement on the City's behalf, and the City Clerk is authorized to attest its execution.

Section 3. This resolution takes effect when adopted.

Exhibit A

AGREEMENT FOR LEGAL SERVICES
CITY OF SACRAMENTO

NATOMAS MEADOWS
COMMUNITY FACILITIES DISTRICT NO. 2007-01

This is an agreement for legal services between the City of Sacramento, a municipal corporation of the State of California (the "City"), and Orrick, Herrington & Sutcliffe LLP, San Francisco, California (the "Bond Counsel").

Section 1. City retains Bond Counsel as special counsel to perform the following legal services relating to the Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California (the "CFD"):

- (a) Preparation of all forms of resolutions, notices, affidavits and other documents required by the laws governing the financing.
- (b) Preparation of written instructions to the City Clerk and other staff members concerning the performance of legally-required duties in connection with the financing.
- (c) Review of documents prepared by City's engineering staff, consulting engineers and tax rate consultants, including the method of allocation of the special tax; provided, that Bond Counsel shall not be required to express an opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the rate and method of apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel in the CFD.
- (d) Attendance (if requested) at public hearings held in the furtherance of the financing, upon request of the City, after reasonable notice.
- (e) Attendance (if requested) at public meetings of City officials as requested by City, at which matters relating to the financing are considered, except routine matters.
- (f) Attendance at staff meetings or meetings of interested citizens, upon request of the City, after reasonable notice.
- (g) Telephone consultation with staff members and interested citizens to answer legal questions about the proceedings.
- (h) Coordination with the City Clerk's office in the scheduling and conduct of the election.

- (i) Arrangements for the preparation of the bonds.
- (j) Assistance with the sale of bonds by negotiation, including a review of disclosure documents in connection with the offering, and in this regard Bond Counsel will give an opinion that the descriptions of the bonds and of Bond Counsel's bond opinion (but not of the Mello-Roos Act itself) in the Official Statement are "accurate in all material respects"; provided, that Bond Counsel will require a statement in the Official Statement to the effect that Bond Counsel expresses no opinion regarding the accuracy, completeness or fairness of the information contained in the Official Statement.
- (k) Preparation of bond delivery documents and coordination of the closing.
- (l) Rendition of Bond Counsel's usual and customary legal opinion with respect to the validity of the bonds, and the tax exempt status thereof.
- (m) Preparation of the required reports to the California Debt and Investment Advisory Commission (pursuant to Section 8855 et seq. of the Government Code) and to the Internal Revenue Service (pursuant to Section 149 of the Internal Revenue Code of 1986).
- (n) Preparation of a transcript of the legal proceedings in loose-leaf and CD-ROM format for the use of the City.
- (o) After the issuance of any bonds, telephone consultation with City officials and staff to answer questions about the facts and circumstances of the bond financing.

Section 2. The services of Bond Counsel under this agreement shall not

include the following:

- (a) Legal services in connection with the acquisition of interests in real property, either through negotiation or through exercise of the power of eminent domain.
- (b) Legal services in connection with litigation.
- (c) Legal services relating to compliance with environmental laws for the project.
- (d) Legal services relating to state blue sky laws or for title to or perfection of security interests in real or personal property or for any financial advice or analysis.

Also, Bond Counsel will not be responsible for the services performed or acts or omissions of any other participant, and Bond Counsel's services will not extend past the date of issuance of the bonds (except as otherwise provided in subsections

1(n) and 1(o)) and will not, for example, include services related to rebate compliance or continuing disclosure, although barring any conflict not otherwise waived or waivable, Bond Counsel would be willing to perform such excluded services on such terms as might be mutually agreed to at the time, and the performance by Bond Counsel of services excluded by this paragraph, if required by City, shall be under separate written agreement.

Section 3. In consideration of the services set forth in paragraph 1, City shall pay to Bond Counsel the following fee and costs:

- (a) The legal fee of Bond Counsel for the legal services rendered hereunder for the first series of the bonds shall be an amount equal to one per cent (1%) of that portion of the bonds issued for the first series of the bonds not exceeding \$5 million, plus three-quarters of one per cent (0.75%) of that portion thereof exceeding \$5 million but not exceeding \$10 million, plus one-half of one per cent (0.5%) of that portion exceeding \$10 million but not exceeding \$20 million, plus one-quarter of one per cent (0.25%) of that portion thereof exceeding \$20 million, except that the fee shall not be less than \$50,000 for the first series of the bonds, payable upon the successful closing for such series of the bonds; and for each subsequent series of the bonds, the fee shall be one-half of one per cent (0.5%) of that portion of the bonds not exceeding \$10 million, plus one-quarter of one per cent (0.25%) of that portion thereof exceeding \$10 million, except that the fee shall not be less than \$30,000 for each subsequent series of the bonds, payable upon the successful closing for such series of the bonds, provided, that if there is no bond issuance, then Bond Counsel shall be paid no such fee. The fee shall be due immediately following the bond closing.
- (b) In addition to the foregoing, Bond Counsel shall be paid \$3,000 for each change proceedings or annexation in which a 100% waiver of election requirements is obtained from the qualified electors, and \$6,000 for each change proceedings or annexation in which a 100% waiver of election requirements is not obtained from the qualified electors, except that if change or annexation proceedings are abandoned prior to completion, an appropriate portion of the fee shall be paid. This fee shall be due immediately following the recordation of the Amended Notice of Special Tax Lien, except that when the proceedings are abandoned, the fee shall be due within 30 days after Bond Counsel bills the City.
- (c) In addition to the fees provided in paragraphs (a) and (b) above, Bond Counsel shall be reimbursed on a timely basis for its expenses (copying, telephone, telecopy, word processing, legal research database charges, travel, postage, express delivery service, and the like), but not to exceed \$5,000 in total for each series of the bonds; provided, that the cost of some services for which Bond Counsel makes arrangements under this

agreement (such as bond printing costs, publication costs and filing fees) shall be billed to the City and shall be paid by City directly to the payee.

Section 4. Bond Counsel certifies that it has no interest, either direct or contingent, in any property or contract arising from or affected by the proposed financing, except as Bond Counsel under this agreement, and certifies that it does not represent any owner of property within the limits of the CFD, and has not received a fee from any source for services connected with the project.

Section 5. This Agreement and all legal services to be rendered under it may be terminated at any time by written notice from either party, with or without cause. In that event, all finished and unfinished documents prepared for adoption or execution by City, shall, at the option of City, become its property and shall be delivered to it or to any party it may designate; provided, that Bond Counsel shall have no liability whatsoever for any subsequent use of such documents. In the event of termination by City, Bond Counsel shall be paid for all satisfactory work, unless the termination is made for cause, in which event compensation, if any, shall be adjusted in the light of the particular facts and circumstances involved in the termination. If not sooner terminated as aforesaid, this Agreement and all legal services to be rendered under it shall terminate upon issuance of all of the bonds; provided, that City shall remain liable for any unpaid compensation or reimbursement due under Section 3 hereof. Upon termination, Bond Counsel shall have no future duty of any kind to or with respect to the bonds or the City under this Agreement.

Section 6. The role of bond counsel, generally, is to prepare or review the procedures for issuance of the bonds, notes or other evidence of indebtedness and to provide an expert legal opinion with respect to the validity thereof and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and reliance thereon by the public finance market, Bond Counsel's role as bond counsel under this Agreement is to provide an opinion and related legal services that represent an objective judgment on the matters addressed rather than the partisan position of an advocate. Bond Counsel's function and responsibility under this Agreement, and as bond counsel with respect to the issuance of the bonds, terminates upon issuance of the bonds (unless terminated sooner as provided herein). Bond Counsel's services as bond counsel through bond issuance are limited to those contracted for explicitly in this Agreement, and any engagement of Bond Counsel with respect to rebate compliance, post-issuance disclosure or any other matter after bond issuance shall be separate and distinct from its engagement as bond counsel through bond issuance. However, unless otherwise provided, any such post-issuance engagement with respect to the bonds shall continue on the same basis set forth in this Section 6.

Section 7. Bond Counsel shall staff the financing project with the following attorneys: Daniel C. Bort. Bond Counsel may use other attorneys and paralegals on the project, who will always be under the direct supervision of Mr. Bort, to provide the most efficient delivery of services and expertise to the financing.

Section 8. City understands that Bond Counsel regularly performs legal services for many private and public entities in connection with a wide variety of matters. Some of these entities may have some direct or indirect relationship with City or City's other consultants or agents, as, for example, underwriters, financial advisors, fiscal agents, paying agents, trustees, insurers, suppliers, lenders, bankers, landlords, developers or owners of property within the jurisdiction of the City. Bond Counsel may represent or have represented or in the future may represent the underwriter, fiscal agent or other participants in the financing on other matters. With such varied client representation, there is always the possibility of other transactions between clients or disputes among them. Given the special, limited role of bond counsel described above, the City acknowledges that no conflict of interest exists or would exist, and waives any conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this Agreement or any such other attorney-client relationship that Bond Counsel may have had, have or enter into, and the City specifically consents to any and all such relationships; provided, that Bond Counsel does not represent any participant other than the City in connection with the financing which is the subject of this Agreement.

Section 9. Nothing in this Agreement or in any of the documents contemplated hereby, expressed or implied, is intended or shall be construed to give any person other than the City and Bond Counsel any legal or equitable right or claim under or in respect of this Agreement, and this Agreement shall inure to the sole and exclusive benefit of the City and Bond Counsel.

Section 10. Bond Counsel may not assign its obligations under this Agreement without written consent of the City except to a successor partnership or corporation to which all or substantially all of the assets and operations of Bond Counsel are transferred. The City shall assign its rights and obligations under this Agreement to (but only to) any other public entity that issues the bonds (if not the City), in which case the City hereby acknowledges that any relationship or obligation of Bond Counsel to the City under or by virtue of this Agreement shall be deemed to be totally annulled ab initio. The City shall not otherwise assign its rights and obligations under this Agreement without written consent of Bond Counsel. All references to Bond Counsel and the City in this Agreement shall be deemed to refer to any such successor of Bond Counsel and to any such assignee of the City and shall bind and inure to the benefit of such successor and assignee whether so expressed or not.

Section 11. This Agreement may be executed in any number of counterparts and each counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Agreement.

Section 12. Any and all notices pertaining to this Agreement shall be sent by U.S. Postal Service, first class, postage prepaid to Bond Counsel at The Orrick Building, 405 Howard Street, San Francisco, CA 94105, Attention: Daniel C. Bort and

to the City at 915 "I" Street, Historic City Hall, Third Floor #0900, Sacramento, CA 95814-2704, Attention: City Treasurer.

The City and Bond Counsel have executed this Agreement by their duly authorized representatives as of the date provided below.

DATED: July 17, 2007

CITY OF SACRAMENTO,
a municipal corporation of the State of
California

By _____
City Attorney

ATTEST:

City Clerk

ORRICK HERRINGTON & SUTCLIFFE
LLP

By _____
Daniel C. Bort

APPROVED AS TO FORM:

Sacramento City Attorney

RESOLUTION NO.

Adopted by the Sacramento City Council

**DECLARING INTENTION TO ESTABLISH NATOMAS
MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01,
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE
OF CALIFORNIA, AND TO LEVY A SPECIAL TAX THEREIN TO
FINANCE THE CONSTRUCTION AND ACQUISITION OF
CERTAIN PUBLIC FACILITIES AND FEES**

BACKGROUND

- A. The City Council has duly considered the advisability and necessity of establishing a community facilities district within its jurisdictional boundaries and levying a special tax therein to finance the acquisition and construction of certain public capital facilities and to finance governmental fees for public capital facilities under and pursuant to the "Mello-Roos Community Facilities Act of 1982," being chapter 2.5, part 1, division 2, title 5 (beginning with section 53311) of the California Government Code (the "Act").
- B. The public facilities will assist in mitigating the impact on the public infrastructure systems occasioned by new development that is expected to occur within the boundaries of the community facilities district.
- C. The City Council has determined that the establishment of the community facilities district is consistent with and follows the local goals and policies concerning the use of the Act that have been adopted by the City Council and are now in effect.
- D. The City Council is fully advised in this matter.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. The City Council finds that the statements in the Background are true.

Section 2. It is the intention of the City Council, and the City Council hereby proposes, to establish a community facilities district under and pursuant to the terms and provisions of the Act, to be known and designated as "Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California" (the "CFD").

Section 3. The boundaries of the territory proposed for inclusion in the CFD are more particularly described and shown on a map entitled "Proposed Boundaries of

Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California" now on file in the office of the City Clerk, which map is hereby approved by the City Council. A reduced copy of the map is marked Exhibit A and is attached hereto, and by this reference is incorporated herein and made a part of this resolution. The City Council finds that the map is in the form and contains the matters prescribed by section 3110 of the California Streets and Highways Code and directs the City Clerk to certify the adoption of this resolution on the face of the map. The City Clerk is hereby authorized and directed to record a copy of the map with the Sacramento County Recorder in accordance with section 3111 of the California Streets and Highways Code.

Section 4. The City Council hereby finds that any property included within the boundary of the CFD that is currently in agricultural use will nonetheless be benefited by the proposed facilities.

Section 5. It is the intention of the City Council to finance the acquisition and construction, pursuant to the Act, of the public facilities shown on Exhibit B attached hereto (the "Facilities"), which by this reference is incorporated herein and made a part of this resolution. It is also the intention of the City Council to finance the governmentally imposed development fees (the "Fees") shown on Exhibit B, which are used to finance public facilities. All of the Facilities, as well the facilities to be financed by the Fees, have an estimated useful life of five years or longer. They are public facilities that the City or other local governmental agencies are authorized by law to construct, own, or operate, or to which they may contribute revenue, and that are necessary to meet increased demands placed upon the City or upon the other local governmental agencies as a result of development occurring and anticipated to occur within the CFD.

Section 6. The cost of financing the Fees and the acquisition and construction of the Facilities includes incidental expenses for the Facilities comprising the costs of planning and designing the Facilities, together with the costs of environmental evaluations thereof, and all costs associated with the creation of the CFD, the issuance of bonds, the determination of the amount of any special taxes or the collection or payment of any special taxes and costs otherwise incurred in order to carry out the authorized purposes of the CFD, together with any other expenses incidental to the payment of the Fees and the acquisition and construction of the Facilities. A representative list of incidental expenses proposed to be incurred are set forth on Exhibit C attached hereto, which by this reference is incorporated herein and made a part of this resolution.

Section 7. It is the intention of the City Council that, except where funds are otherwise available, a special tax shall be annually levied within the CFD sufficient to finance the Fees and the acquisition and construction of the Facilities, including but not limited to the payment of interest on and principal of bonds to be issued to finance the Fees and the acquisition and construction of the Facilities; the making of lease payments for Facilities (whether in conjunction with the issuance of certificates of participation or not); the repayment of funds advanced by the City for the CFD and including the repayment under any agreement (which shall not constitute a debt or liability of the City) of advances of funds or reimbursement for the lesser of the value or cost of work in-kind provided by any person for the CFD.

Section 8. Upon recordation of a Notice of Special Tax Lien pursuant to section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property in the CFD, and this lien shall continue in force and effect until the special-tax obligation is prepaid and permanently satisfied and the lien is cancelled in accordance with law, or until levy of the special tax by the City ceases.

Section 9. It is the intention of the City Council that the proposed special tax will be collected through the regular County of Sacramento secured property-tax bills, and will be subject to the same enforcement mechanism, and the same penalties and interest for late payment, as regular *ad valorem* property taxes; however, the City Council reserves the right to utilize any other lawful means of billing, collecting, and enforcing the special tax, including direct billing, supplemental billing, and, when lawfully available, judicial foreclosure of the special-tax lien.

Section 10. The rate and method of apportionment of the special tax, including the maximum annual special tax, is set forth on Exhibit D attached hereto, which by this reference is incorporated herein and made a part of this resolution. Exhibit D provides sufficient detail to allow each landowner or resident within the CFD to estimate the maximum amount that such person will have to pay, and specifies the conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied. As required by the Act: (1) the maximum authorized special tax for financing the Fees and the acquisition and construction of the Facilities that may be levied against any parcel of land used for private residential purposes (which use commences no later than the date on which an occupancy permit for private residential use is issued) is specified as a dollar amount and shall not increase by more than two percent per year; (2) the special tax shall not be levied against such property after fiscal year 2047-2048; and (3) under no circumstances shall the special tax be increased on such property, as a consequence of delinquency or default by the owner of any other parcel or parcels of land within the CFD, by more than ten per cent.

Section 11. It is the intention of the City Council, pursuant to section 53340.1 of the California Government Code, to levy the special tax on the leasehold or possessory interests in property owned by a public agency (which property is otherwise exempt from the special tax), to be payable by the owner of the leasehold or possessory interests in such property.

Section 12. It is the intention of the City Council, pursuant to section 53325.7 of the California Government Code, to establish the appropriations limit, as defined by subdivision (h) of section 8 of article XIII B of the California Constitution, for the 2007-2008 fiscal year, for the CFD in the amount of \$2,000,000.

Section 13. Notice is given that the City Council has fixed Tuesday, August 21, 2007, at 2:00 p.m., in the City Council Chambers at Sacramento City Hall, 915 I Street, Sacramento, California, as the time and place for a public hearing to be held by the City Council to consider the establishment of the CFD, the proposed rate, method of apportionment and manner of collection of the special tax, and all other matters as set forth in this resolution. At the public hearing, any persons interested, including all taxpayers, property owners, and registered voters within the CFD, may appear and be

heard, and the testimony of all interested persons or taxpayers for or against the establishment of the CFD and the levy of the special tax, the extent of the CFD, the payment of any of the Fees, the acquisition or construction of any of the Facilities, the establishment of the appropriations limit, or on any other matters set forth herein, will be heard and considered.

Section 14. Any protests to the proposals in this resolution may be made orally or in writing by any interested persons or taxpayers, except that any protests pertaining to the regularity or sufficiency of these proceedings shall be in writing and shall clearly set forth the irregularities and defects to which objection is made. The City Council may waive any irregularities in the form or content of any written protest and at the public hearing may correct minor defects in the proceedings. All written protests not presented in person by the protester at the public hearing must be filed with the City Clerk at or before the time fixed for the public hearing in order to be received and considered. Any written protest may be withdrawn in writing at any time before the conclusion of the public hearing.

Section 15. Written protests by a majority of the registered voters residing and registered within the CFD (if at least six such voters so protest), or by the owners of a majority of the land area within the CFD not exempt from the proposed special tax, will require suspension of these proceedings for at least one year. If such protests are directed only against certain elements of the proposed Fees or Facilities or the special tax of the CFD or the other proposals contained in this Resolution, only those elements need be excluded from the proceedings.

Section 16. The public hearing may be continued from time to time, but shall be completed within thirty days, except that if the City Council finds that the complexity of the CFD or the need for public participation requires additional time, the public hearing may be continued from time to time for a period not to exceed six months.

Section 17. The City Council may at the public hearing modify this resolution by eliminating any of the Fees or Facilities, or by changing the method of apportionment of the special tax so as to reduce the maximum special tax for all or a portion of the owners of property within the CFD or by removing any territory from the CFD, except that if the City Council proposes to modify this resolution in a way that will increase the probable (as distinct from the maximum, which may not be increased) special tax to be paid by the owner of any lot or parcel of land in the CFD, the City Council shall direct that a report be prepared that includes a brief analysis of the impact of the proposed modifications on the probable special tax to be paid by the owners of such lots or parcels of land in the CFD, and the City Council shall receive and consider such report before approving any such modifications or any resolution forming the CFD which includes such modifications.

Section 18. At the conclusion of the public hearing, the City Council may abandon these proceedings or may, after passing upon all protests, determine to proceed with establishing the CFD. If the City Council determines at the conclusion of the public hearing to proceed with the establishment of the CFD, it expects that the proposed voting procedure will be by landowners voting in accordance with the Act, as the City Council is informed that during the ninety days prior to the date set for the hearing,

there have been times when there were fewer than twelve registered voters residing within the CFD. The City Council will require this information to be confirmed before ordering the election.

Section 19. The Manager of the City's Public Improvement Finance Division (the "Manager") is hereby directed to study the CFD and, at or before the time of the public hearing, to cause to be prepared and filed with the City Council a report which shall contain a brief description of the Facilities by type which in his opinion will be required to adequately meet the needs of the new development expected to occur within the CFD, together with estimates of the cost of financing the Fees and the acquisition and construction of the Facilities, and an estimate of the incidental expenses related thereto. The report shall, upon its presentation, be submitted to the City Council for review, shall be available for inspection by the public, and shall be made a part of the record of the public hearing. The Manager may retain consultants to prepare the report.

Section 20. In the opinion of the City Council, the public interest will not be served by allowing the property owners in the CFD to enter into a contract pursuant to section 53329.5(a) of the California Government Code to do the work to be financed under the Act.

Section 21. Notice of the time and place of the public hearing shall be given by the City Clerk in the following manner:

(a) A Notice of Public Hearing in the form required by the Act shall be published once in the *DAILY RECORDER*, a newspaper of general circulation published in the area of the CFD, pursuant to section 6061 of the California Government Code and shall be completed at least seven days prior to the date set for such public hearing; and

(b) A Notice of Public Hearing in the form required by the Act shall be mailed, first class postage prepaid, to each owner of land, and to each registered voter residing, within the boundaries of the CFD (to property owners at their addresses as shown on the last equalized assessment roll, and to registered voters at their addresses as shown on the records of the Sacramento County Registrar of Voters, or in either case as otherwise known to the City Clerk). The mailing shall be completed at least fifteen days prior to the date set for the public hearing.

Section 22. This resolution takes effect when adopted.

EXHIBIT A

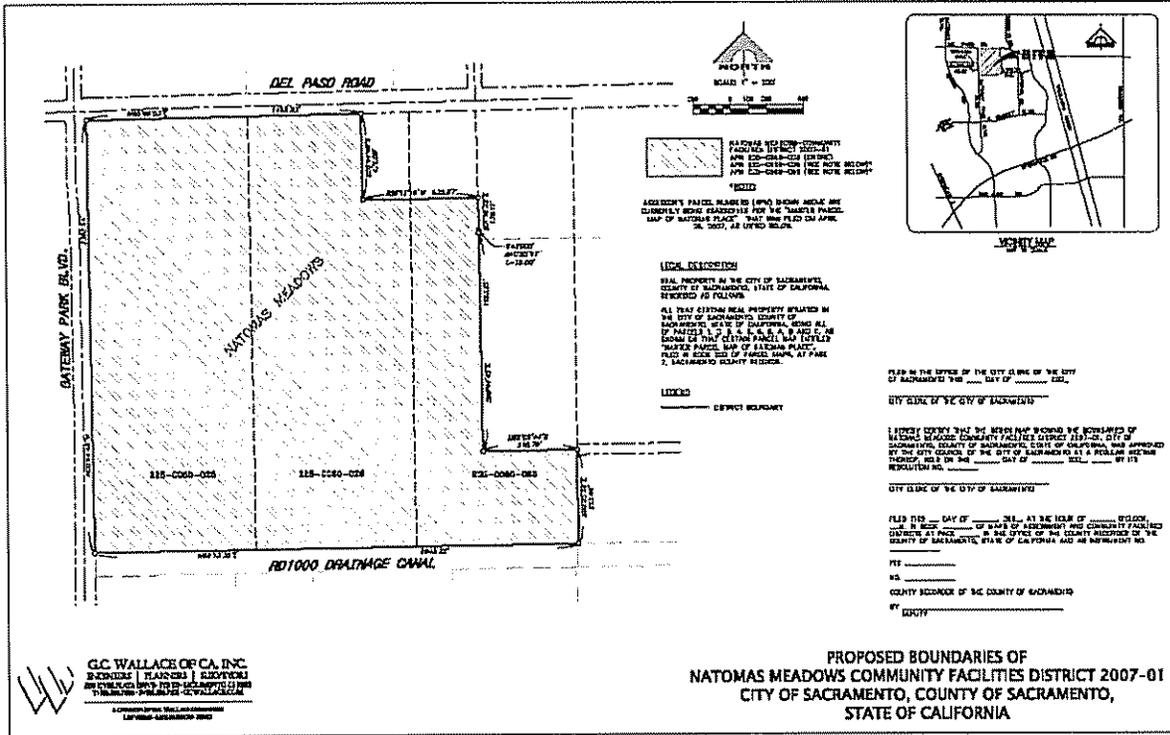


EXHIBIT B

**NATOMAS MEADOWS COMMUNITY FACILITIES
DISTRICT NO. 2007-01,
CITY OF SACRAMENTO,
COUNTY OF SACRAMENTO,
STATE OF CALIFORNIA**

LIST OF AUTHORIZED FEES AND FACILITIES

MAJOR PUBLIC INFRASTRUCTURE

STREET IMPROVEMENTS (2)

Off-site Major Street Improvements

Del Paso Road (East of Gateway Park Boulevard to West of L Street)

Traffic Signal - Del Paso Road (4-way modification)

Gateway Park Boulevard (North of the Drainage Canal to South Del Paso Road)

Traffic Signal - Gateway Park Boulevard (4-way new)

Gateway Park Boulevard Bridge

On-site Major Street Improvements

M Street (West of Black Rock Road to Terracina Drive)

Terracina Drive (East of Gateway Park Boulevard to M and W Streets intersection)

Black Rock Road (South of M Street to North of Striker Avenue) & Striker Avenue
(East of Black Rock Road)

STORM-DRAINAGE IMPROVEMENTS

Stormwater Pump Station Improvements

Village 1

Village 2

Village 5

Village 6

WATER IMPROVEMENTS

12" C900 CL 150/12" Gate Valves

Black Rock/Striker

Total Water Improvements

PARK IMPROVEMENTS

Park

Total Park Improvements

LAND DEDICATIONS

Detention Basin and Pump Station (approximately 5.065 acres)

Total Land Dedications

DEVELOPMENT IMPACT FEES

NORTH NATOMAS FEES

Transit Fee

Single-Family

Multi-Family

Public Facilities Fee

Single-Family

Multi-Family

Regional Park Land Acquisition Fee

Single-Family

Multi-Family

CITY FEES

Construction Excise Tax (CET)

All residential

Park Development Impact Fee

All residential

Water Service Tap Fee

Single-Family

Multi-Family

Water Development Fee

Single-Family

Multi-Family

Water Meter Fee

All residential

EXHIBIT C**NATOMAS MEADOWS COMMUNITY FACILITIES
DISTRICT NO. 2007-01,
CITY OF SACRAMENTO,
COUNTY OF SACRAMENTO,
STATE OF CALIFORNIA****REPRESENTATIVE LISTING OF INCIDENTAL EXPENSES
AND BOND ISSUANCE COSTS**

It is anticipated that the following incidental expenses may be incurred in the proposed legal proceedings for formation of the Community Facilities District, construction or acquisition of the authorized public facilities and related bond financing and will be payable from proceeds of the Bonds or directly from the proceeds of the Special Tax:

- Special tax consultant services
- City, Participating District staff review, oversight and administrative services
- Bond Counsel and Disclosure Counsel services
- Financial advisor services
- Special tax administrator services
- Appraiser/Market absorption consultant services
- Initial bond transfer agent, fiscal agent, registrar and paying agent services, and rebate calculation service set up charge
- Bond printing and Preliminary Official Statement and Official Statement printing and mailing
- Publishing, mailing and posting of notices
- Recording fees
- Underwriter's discount
- Bond reserve fund
- Capitalized interest
- Governmental notification and filing fees
- Credit enhancement costs
- Rating agency fees
- Continuing disclosure services

The expenses of certain recurring services pertaining to the Community Facilities District may be included in each annual special tax levy, and these expenses are described in the definition of the term "Administrative Expenses" as set forth in the Rate and Method of Apportionment of Special Tax attached hereafter as Exhibit D.

The foregoing enumeration shall not be regarded as exclusive and shall be deemed to include any other incidental expenses of a like nature which may be incurred from time to time with respect to the Community Facilities District.

EXHIBIT D

**CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the City of Sacramento Natomas Meadows Community Facilities District No. 2007-01 (herein "CFD No. 2007-01") shall be levied and collected according to the tax liability determined by the City Council through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2007-01, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2007-01 and the Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to Bonds, costs associated with complying with all continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City in any way related to the establishment or administration of CFD No. 2007-01.

"Administrator" means the person or firm designated by the City to administer the Special Taxes according to this RMA.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown in 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 for each Land Use Class of Developed Property, as determined in accordance with Section C.1.b below.

“Authorized Facilities” means those facilities that are authorized to be funded by CFD No. 2007-01.

“Backup Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.c below.

“Bonds” means any bonds or other debt (as defined in the Act), whether in one or more series, issued, insured, or assumed by CFD No. 2007-01 related to Authorized Facilities.

“Buildable Lot” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“Capitalized Interest” means funds in any capitalized interest account available to pay debt service on Bonds.

“CFD No. 2007-01” means City of Sacramento Natomas Meadows Community Facilities District No. 2007-01.

“City” means the City of Sacramento.

“City Council” means the City Council of the City of Sacramento.

“County” means the County of Sacramento.

“Designated Buildable Lot” means a Buildable Lot for which a building permit has not been issued by the City before June 1 of the previous Fiscal Year.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued prior to June 1 of the preceding Fiscal Year.

“Exempt Property” means:

- (1) Public Property, except as otherwise authorized by Sections 53317.3 and 53317.5 of the Act;

- (2) Parcels that are owned by a public utility for an unoccupied facility;
- (3) Parcels that are subject to an easement or other instrument that precludes any other use on the Parcel; and

- (4) Parcels identified as lettered lots on a large lot parcel map because such Parcels are designated as a park site, school site, or other site that will ultimately be owned by a public agency.

“Expected Residential Lot Count” means 120 Buildable Lots of Residential Property in Tax Zone 1, 163 Buildable Lots of Residential Property in Tax Zone 2, 161 Buildable Lots of Residential Property in Tax Zone 3, 168 Buildable Lots of Residential Property in Tax Zone 4, and 145 Buildable Lots of Residential Property in Tax Zone 5 or, as determined by the Administrator, the number of Buildable Lots of Residential Property in the applicable Tax Zone based on the most recently recorded Final Map or modified Final Map.

“Final Map” means a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that created Buildable Lots. The term “Final Map” shall not include (i) any large-lot subdivision map, Assessor’s Parcel Map, or subdivision map, or portion thereof, that does not create Buildable Lots or (ii) Assessor’s Parcels that are designated as remainder parcels.

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

“Indenture” means the bond indenture, fiscal agent agreement, trust 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.

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

“Maximum Special Tax” means the Maximum Special Tax determined in accordance with Section C.1.a below that can be levied 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 a non-residential use.

“Proportionately” means (a) for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property or, if necessary pursuant to Section D below, that the ratio of the increase from the Assigned Special Tax to the Backup Special Tax levy, for those Assessor’s Parcels where the Backup Special Tax is greater than the Assigned Special Tax, is equal for Assessor’s Parcels of Developed Property; and (b) for Undeveloped Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of CFD No. 2007-01 that is owned by the City, federal government, State of California or other public agency; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. Privately owned property that is otherwise constrained by public use and necessity through easement, lease, or license shall be considered Public Property.

“Residential Floor Area” has the same meaning as that defined for the School Mitigation Fee by California Government Code Section 65995 for “Accessible Space,” which is “all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area.”

“Residential Property” means all Assessor’s Parcels of Taxable Property for which a building permit may be issued for purposes of constructing one or more residential dwelling units.

“Residential Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. A second unit (granny flat) that shares a Parcel with a single family detached unit shall not be considered a Residential Unit for purposes of levying the Special Tax.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Tax” means a Special Tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest on Bonds which are due in the calendar year which begins in such Fiscal Year, (ii) to create or replenish reserve funds, (iii) to cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, (iv) to pay Administrative Expenses, and (v) to pay the costs of public improvements and public infrastructure authorized to be financed by CFD No. 2007-01. The Special Tax Requirement may be reduced in any Fiscal Year by (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture or other legal document that sets forth these terms, (ii) proceeds from the collection of penalties associated with delinquent Special Taxes, and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Tax Zone” means a mutually exclusive geographic area, within which particular Special Tax rates may be levied pursuant to this RMA. Attachment 1 identifies the Tax Zones in CFD No. 2007-01.

“**Tax Zone 1**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 1.

“**Tax Zone 2**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 2.

“**Tax Zone 3**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 3.

“**Tax Zone 4**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 4.

“**Tax Zone 5**” means the geographic area within CFD No. 2007-01 that is specifically identified in Attachment 1 hereto as Tax Zone 5.

“**Taxable Property**” means all of the Assessor’s Parcels within the boundaries of CFD No. 2007-01 which are not exempt from the Special Tax pursuant to law or Section F below.

“**Undeveloped Property**” means, for each Fiscal Year, all Taxable Property not classified as Developed Property.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel Numbers for all Parcels of Taxable Property. The Administrator shall also determine: (i) within which Tax Zone each Assessor’s Parcel is located, (ii) whether each Assessor’s Parcel of Taxable Property is Developed Property or Undeveloped Property, and (iii) the Special Tax Requirement.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in CFD No. 2007-01 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) one or more of the newly-created parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the parcel map by determining the Special Taxes that apply separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Developed Property

a. *Maximum Special Tax*

The Maximum Special Tax that may be levied in any Fiscal Year for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. *Assigned Special Tax*

The Assigned Special Tax that may be levied in Fiscal Year 2007-08 for each Land Use Class is shown below in Table 1.

**Table 1
ASSIGNED SPECIAL TAX
DEVELOPED PROPERTY**

Land Use Class	Description	Residential Floor Area	2007-08 Assigned Special Tax *
<i>Tax Zone 1</i>			
1	Residential Property	> 1,600 sq. ft.	\$1,419 per Residential Unit
2	Residential Property	1,300 sq. ft. - 1,600 s.q. ft.	\$1,385 per Residential Unit
3	Residential Property	< 1,300 sq. ft.	\$842 per Residential Unit
4	Non-Residential Property		\$50,943 per Acre
<i>Tax Zone 2</i>			
5	Residential Property	> 1,800 sq. ft.	\$1,530 per Residential Unit
6	Residential Property	1,500 sq. ft. - 1,800 sq. ft.	\$1,497 per Residential Unit
7	Residential Property	< 1,500 sq. ft.	\$1,283 per Residential Unit
8	Non-Residential Property		\$29,213 per Acre
<i>Tax Zone 3</i>			
9	Residential Property	> 2,200 sq. ft.	\$1,955 per Residential Unit
10	Residential Property	1,951 sq. ft. - 2,200 sq. ft.	\$1,795 per Residential Unit
11	Residential Property	1,700 sq. ft. - 1,950 sq. ft.	\$1,688 per Residential Unit
12	Residential Property	< 1,700 sq. ft.	\$1,421 per Residential Unit
13	Non-Residential Property		\$30,807 per Acre
<i>Tax Zone 4</i>			
14	Residential Property	> 2,800 sq. ft.	\$2,380 per Residential Unit
15	Residential Property	2,651 sq. ft. - 2,800 sq. ft.	\$2,300 per Residential Unit
16	Residential Property	2,501 sq. ft. - 2,650 sq. ft.	\$2,186 per Residential Unit
17	Residential Property	2,351 sq. ft. - 2,500 sq. ft.	\$2,120 per Residential Unit
18	Residential Property	2,200 sq. ft. - 2,350 sq. ft.	\$1,986 per Residential Unit
19	Residential Property	< 2,200 sq. ft.	\$1,899 per Residential Unit
20	Non-Residential Property		\$27,517 per Acre
<i>Tax Zone 5</i>			
21	Residential Property	> 2,900 sq. ft.	\$2,613 per Residential Unit
22	Residential Property	2,601 sq. ft. - 2,900 sq. ft.	\$2,459 per Residential Unit
23	Residential Property	2,300 sq. ft. - 2,600 sq. ft.	\$2,279 per Residential Unit
24	Residential Property	< 2,300 sq. ft.	\$1,785 per Residential Unit
25	Non-Residential Property		\$26,235 per Acre

** On July 1, 2008 and each July 1 thereafter, the Assigned Special Taxes shown above shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.*

c. Backup Special Tax

The Backup Special Tax shall be \$1,317 per Residential Unit for Residential Property in Tax Zone 1, \$1,397 per Residential Unit for Residential Property in Tax Zone 2, \$1,713 per Residential Unit for Residential Property in Tax Zone 3, \$2,145 per Residential Unit for Residential Property in Tax Zone 4, and \$2,350 per Residential Unit for Residential Property in Tax Zone 5.

On July 1, 2008 and each July 1 thereafter, the Backup Special Tax per Residential Unit within each of the Tax Zones shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

d. Mandatory Prepayment

If, in any Fiscal Year after the City has issued Bonds, a Final Map is proposed that results in a reduction in the Expected Residential Lot Count in the area affected by the Final Map, then the following steps shall be applied:

Step 1: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in CFD No. 2007-01 based on the Expected Residential Lot Count prior to the proposed reduction;

Step 2: The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in CFD No. 2007-01 assuming the Final Map is approved thereby reducing the Expected Residential Lot Count;

Step 3: If the revenues calculated in Step 2 are: (i) less than those calculated in Step 1 and (ii) not sufficient to maintain 110% coverage on the Bonds' debt service, the landowner of the property affected by the Final Map must prepay an amount sufficient to retire a portion of the Bonds and maintain 110% coverage on the Bonds' debt service. The required prepayment shall be calculated using the formula set forth in Section G below. If the mandatory prepayment has not been received by the City prior to the issuance of the first building permit for new construction within the Final Map on which the land use change has occurred, the Administrator shall levy the amount of the mandatory prepayment on the Parcel(s) affected by the land use change or on any of the landowner's Parcel(s) of Undeveloped Property within that Final Map, and if this amount should, in any instance, exceed the Maximum Special Tax as defined herein, it shall nonetheless be

authorized and shall not exceed the maximum special tax as that term is used in the Act.

If the revenues calculated in Step 2 are less than those calculated in Step 1, but the revenues calculated in Step 2 are sufficient to maintain 110% coverage on the Bond's debt service, no such mandatory prepayment will be required. In addition, if the amount determined in Step 2 is higher than that calculated in Step 1, no such mandatory prepayment will be required.

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property shall be \$50,943 per Acre for such property in Tax Zone 1, \$29,213 per Acre for such property in Tax Zone 2, \$30,807 per Acre for such property in Tax Zone 3, \$27,517 per Acre for such property in Tax Zone 4, and \$26,235 per Acre for such property in Tax Zone 5. On July 1, 2008 and each July 1 thereafter, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect in the previous Fiscal Year.

D. METHOD OF LEVY OF THE SPECIAL TAXES

Each Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. A Special Tax shall then be levied according to the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the applicable Assigned Special Tax as shown in Table 1 above until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest that is available under the applicable Indenture.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the levy of the Special Tax on each Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Parcel;

Step 4: If additional revenue is needed to meet the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied Proportionately on each Parcel of Public Property, exclusive of property exempt from the Special Tax pursuant to Section F below, up to 100% of the Maximum Special Tax for Undeveloped Property.

Notwithstanding the above, under no circumstances shall the Special Tax levied on any Assessor’s Parcel of Residential Property for which a building 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. 2007-01.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes for CFD No. 2007-01 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted as set forth in Section G below and provided further that the City may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and Authorized Facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2047-2048.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied in any Fiscal Year on Exempt Property or on Parcels that have fully prepaid the Special Tax obligation assigned to the Parcel pursuant to the formula set forth in Section G below.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“Remaining Facilities Costs” means the Public Facilities Requirement minus public facility costs funded by Outstanding Bonds, developer equity and/or any other source of funding.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding (as determined by the Administrator), that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of Outstanding Bonds for purposes of this prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

“Public Facilities Requirements” means either \$20,000,000 in 2007 dollars, which shall increase on January 1, 2008, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News-Record or other comparable source if the Engineering News-Record is discontinued or otherwise not available, or such other number as shall be determined by the City as sufficient to fund improvements that are authorized to be funded by CFD No. 2007-01.

1. Prepayment in Full

The Special Tax obligation applicable to an Assessor’s Parcel in CFD No. 2007-01 may be prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes. Attachment 2 herein provides a sample prepayment calculation for a Parcel in Tax Zone 3. The Prepayment Amount shall be calculated as follows (capitalized terms as defined above or below):

	Bond Redemption Amount
plus	Remaining Facilities Amount
plus	Redemption Premium
plus	Defeasance Requirement
plus	Administrative Fees and Expenses
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

Step 1: Compute the Assigned Special Tax and Backup Special Tax for the Assessor’s Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. If this Section G is being applied to calculate a prepayment pursuant to Section C.1.d above, use, for purposes of this Step 1, the amount by which the expected Maximum Special Tax revenues have been reduced below the amount needed to maintain 110% coverage on the

Bond's debt service due to the change in land use that necessitated the prepayment.

- Step 2:** (a) Divide the Assigned Special Tax computed pursuant to Step 1 by the total estimated Assigned Special Taxes for CFD No. 2007-01 based on the Developed Property Special Tax which could be charged, using the rates for the current Fiscal Year, on all expected development through buildout of CFD No. 2007-01, excluding any Assessor's Parcels which have been prepaid, and
- (b) Divide the Backup Special Tax computed pursuant to Step 1 by the total estimated Backup Special Taxes at buildout of CFD No. 2007-01, excluding any Assessor's Parcels which have been prepaid.
- Step 3:** Multiply the larger quotient computed pursuant to Step 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
- Step 4:** Compute the current Remaining Facilities Costs (if any).
- Step 5:** Multiply the larger quotient computed pursuant to Step 2(a) or 2(b) by the amount determined pursuant to Step 4 to compute the amount of Remaining Facilities Costs to be prepaid (the "*Remaining Facilities Amount*").
- Step 6:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
- Step 7:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Bond interest payment date to which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds. However, if Bonds are callable at the first interest payment date after the prepayment has been received, Steps 7, 8 and 9 of this prepayment formula will not apply.
- Step 8:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium until the redemption date for the Outstanding Bonds.
- Step 9:** Subtract the amount computed pursuant to Step 8 from the amount computed pursuant to Step 7 (the "*Defeasance Requirement*").

- Step 10:** The administrative fees and expenses associated with the prepayment will be determined by the Administrator and include the costs of computing the prepayment, redeeming Bonds and recording any notices to evidence the prepayment and the redemption (the *“Administrative Fees and Expenses”*).
- Step 11:** If, at the time the prepayment is calculated, the reserve fund is greater than or equal to the reserve requirement, and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the *“Reserve Fund Credit”*).
- Step 12:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the *“Prepayment Amount”*).

Once a prepayment has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected

2. Prepayment in Part

The Special Tax on an Assessor’s Parcel or Buildable Lot for which a certificate of occupancy has not yet been issued may be partially prepaid. However, such partial prepayment must be made in an amount equal to 25%, 50%, or 75% of the amount of the full prepayment calculated pursuant to Section G.1 above. In calculating the partial prepayment, the Administrator shall round up the amount required for the partial prepayment in order to redeem whole bonds, including any redemption premium.

Upon issuance of a certificate of occupancy for an Assessor’s Parcel, no partial prepayments will be accepted for the Parcel. In addition, only one partial prepayment shall be permitted for an Assessor’s Parcel or Buildable Lot within CFD No. 2007-01.

The owner of any Assessor’s Parcel who desires to make a partial prepayment shall notify the Administrator of the percentage of the Special Tax to be prepaid. The Administrator shall provide the owner with a statement of the amount required for the partial prepayment within thirty (30) days of the request and may charge a fee for providing this service. With respect to any Assessor’s Parcel that is partially prepaid, the Administrator shall (i) distribute the remitted prepayment funds according to Section G.1, and (ii) indicate in the records of CFD No. 2007-01 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor’s Parcel, equal to the un-prepaid percentage of the Maximum Special Tax, shall continue to be levied on such Assessor’s Parcel pursuant to Section D.

H. INTERPRETATION OF SPECIAL TAX FORMULA

Interpretations may be made by resolution of the City Council for purposes of clarifying any vagueness or ambiguity in the Special Tax rates, method of apportionment, classification of properties, and any definition applicable to CFD No. 2007-01. The City Council's interpretation will be conclusive.

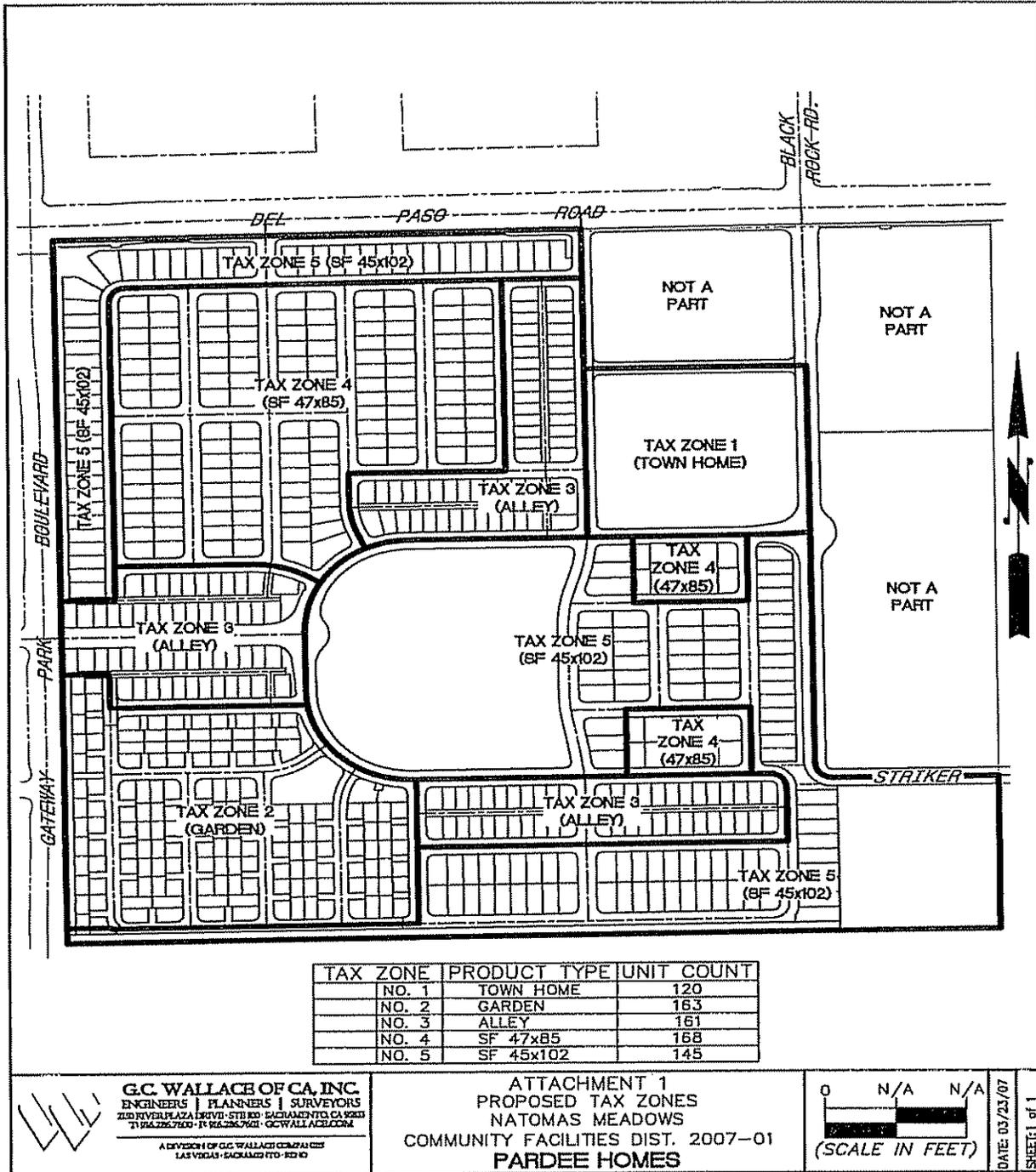
I. APPEALS

Any taxpayer who believes that the amount of the Special Tax assigned to a Parcel is in error may file a notice appealing the levy of the Special Tax with the City Treasurer's Office and the City Planning Department, Public Improvement Financing Division. City representatives shall then promptly review the appeal and, if necessary, meet with the taxpayer. If the City representatives determine that the Special Tax is in error, they shall recommend to the City Council that the Special Tax levy be corrected and, if applicable in any case, that a refund be granted. The City Council's decision on the recommendation will be final.

ATTACHMENT 1

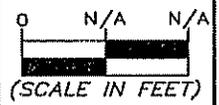
CITY OF SACRAMENTO
 NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT No. 2007-01

IDENTIFICATION OF TAX ZONES



G.C. WALLACE OF CA, INC.
 ENGINEERS | PLANNERS | SURVEYORS
 200 RIVER PLAZA DRIVE - 5TH FLD - SACRAMENTO, CA 95811
 TEL: 916.276.7100 - FAX: 916.276.7021 - GCWALL@AOL.COM
 A DIVISION OF G.C. WALLACE COMPANY LLC
 LAS VEGAS - SACRAMENTO - RED Bl

ATTACHMENT 1
 PROPOSED TAX ZONES
 NATOMAS MEADOWS
 COMMUNITY FACILITIES DIST. 2007-01
PARDEE HOMES



DATE: 03/23/07
 SHEET 1 of 1

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ATTACHMENT 2

**CITY OF SACRAMENTO
NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01**

**SAMPLE PREPAYMENT CALCULATION
FOR ONE BUILDABLE LOT IN TAX ZONE 3**

<u>Assumptions (2007 \$)</u>		
Assigned Special Tax on a 2,300 Sq. Ft. Residential Unit in Tax Zone 3		\$1,055
Backup Special Tax on a 2,300 Sq. Ft. Residential Unit in Tax Zone 3		\$1,713
Total Expected Special Tax Revenues in CFD		\$1,382,000
Total Facilities Costs		\$20,000,000
Construction Proceeds from First Bond Issue		\$20,000,000
Total Remaining Facilities Costs		\$0
Redemption Premium %		3.00%
Reserve Fund Requirement %		10.00%
Outstanding Bonds		\$27,500,000
<hr/>		
<u>Sample Prepayment Calculation (2,300 Sq. Ft. Residential Unit in Tax Zone 3)</u>		
<u>Steps from Section G of the RMA</u>	<u>Source or Calculation Method</u>	
Step 1: Assigned Special Tax per Unit Backup Special Tax per Unit	(From above)	\$1,055 \$1,713
Step 2: Special Tax as a % of Total Expected Special Tax Revenues	[Step 1 divided by Total Expected Special Tax Revenues]	0.14% 0.13%
Step 3: "Bond Redemption Amount"	[Larger quotient from Step 2 multiplied by Outstanding Bonds]	\$39,453
Step 4: Total Remaining Facilities Costs	(From above)	\$0
Step 5: "Remaining Facilities Amount"	[Larger quotient from Step 2 multiplied by Step 4]	\$0
Step 6: "Redemption Premium"	[Step 3 multiplied by Redemption Premium %]	\$1,164
Step 7: Interest Accrued on Bond Redemption Amount	[Covered by special tax levied in the year of prepayment]	\$0 ¹¹
Step 8: Interest Earned on Bond Redemption Amount and Redemption Premium	[None due to bonds being retired at next interest payment date]	\$0
Step 9: "Defeasance Requirement"	[Step 7 minus Step 8]	\$0
Step 10: "Administrative Fees and Expenses"	[Assumes \$500 per Residential Unit]	\$500
Step 11: "Reserve Fund Credit"	[Step 3 multiplied by Reserve Fund Requirement %]	(\$3,645)
Step 12: "Prepayment Amount"	[Sum of Steps 3, 5, 6, 9, and 10 minus Step 11]	\$37,101
Prepayment for One 2,300 Sq. Ft. Residential Unit in Tax Zone 3		\$37,191

¹¹ Assumes bonds can be redeemed at the first interest payment date after the prepayment has been received

RESOLUTION NO.

Adopted by the Sacramento City Council

DECLARING INTENTION TO INCUR BONDED INDEBTEDNESS TO FINANCE THE PAYMENT OF DEVELOPMENT FEES AND THE ACQUISITION AND CONSTRUCTION OF CERTAIN PUBLIC FACILITIES IN ORDER TO MITIGATE THE IMPACTS OF DEVELOPMENT WITHIN NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01, CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

BACKGROUND

- A. The City Council of the City of Sacramento has duly adopted Resolution No. _____ (the "Resolution of Intention") this date, declaring its intention to establish a community facilities district under and pursuant to the terms and provisions of the "Mello-Roos Community Facilities Act of 1982," being chapter 2.5, part 1, division 2, title 5 (commencing with section 53311) of the California Government Code (the "Act), to be known and designated as "Natomas Meadows Community Facilities District No. 2007-01, City of Sacramento, County of Sacramento, State of California" (the "CFD"), and to levy a special tax therein to finance the payment of certain development fees and the acquisition and construction of certain public facilities (respectively the "Fees" and the "Facilities," as those terms are defined in the Resolution of Intention) that will assist in mitigating the impact on the public infrastructure systems occasioned by new development that is expected to occur within the boundaries of the CFD.
- B. The City Council is fully advised in this matter.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council finds that the statements in the Background are true.

Section 2. The City Council hereby declares that the public convenience and necessity require that a bonded indebtedness be incurred to finance the payment of the Fees and the acquisition and construction of the Facilities. The cost of financing the Fees and the acquisition and construction of the Facilities includes incidental expenses for the Facilities comprising the costs of planning and designing the Facilities, together with the costs of environmental evaluations thereof, and all costs associated with the creation of the CFD, the issuance of bonds, the determination of the amount of any special taxes, or the collection or payment of any special taxes and costs otherwise incurred in order to carry out the authorized purposes of the CFD, together with any other expenses incidental to the acquisition and construction of the Facilities.

Section 3. The amount of the proposed bonded indebtedness to be incurred to finance the acquisition and construction of the Facilities shall not exceed \$27,500,000, which amount includes all costs and estimated costs incidental to, or connected with, the accomplishment of the purpose for which the bonded indebtedness is proposed to be incurred, including but not limited to the estimated costs of acquisition of land and rights-of-way; capacity or connection fees; satisfaction of contractual obligations relating to expenses or the advancement of funds for expenses existing at the time the bonds are issued pursuant to the Act; architectural, engineering, inspection, legal, fiscal, and financial-consultant fees; bond and other reserve funds; discount fees; interest on any bonds of the CFD estimated to be due and payable within two years of issuance of the bonds; election costs; and all costs 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, and printing costs.

Section 4. Notice is given that the City Council has fixed Tuesday, August 21, 2007, at 2:00 p.m., in the City Council Chambers at Sacramento City Hall, 915 I Street, Sacramento, California, as the time and place for a public hearing to be held by the City Council to consider the incurring of the bonded indebtedness to finance the Fees and the acquisition and construction of the Facilities. At the public hearing, any persons interested, including all taxpayers, property owners, and registered voters within the CFD, may appear and be heard on the proposed debt issuance or on any other matters set forth herein, and they may present any matters relating to the necessity for incurring the bonded indebtedness to finance the Fees or the acquisition and construction of the Facilities and to be secured by a special tax to be levied within the CFD.

Section 5. Notice of the time and place of such public hearing shall be given by the City Clerk in the following manner:

(a) A Notice of Public Hearing in the form required by the Act shall be published once in the *DAILY RECORDER*, a newspaper of general circulation circulated within the area of the CFD. The publication shall be made pursuant to section 6061 of the California Government and shall be completed at least seven days prior to the date set for such public hearing; and

(b) A Notice of Public Hearing in the form required by the Act shall be mailed, first class postage prepaid, to each owner of land, and to each registered voter residing, within the boundaries of the proposed CFD (to property owners at their addresses as shown on the last equalized assessment roll, and to registered voters at their addresses as shown on the records of the Sacramento County Registrar of Voters, or in either case as otherwise known to the City Clerk). The mailing shall be completed at least fifteen days prior to the date set for the public hearing.

Section 6. It is the intention of the City Council that any bonds issued shall be callable (may be redeemed prior to their maturity dates) in accordance with the terms of the Act.

Section 7. This resolution takes effect when adopted.