



COASTSIDE FIRE PROTECTION DISTRICT

1191 Main Street, Half Moon Bay, CA 94019 | Website: www.coastsidefire.org
Tel: (650) 726-5213 | Fax: (650) 726-0132 | Email: cfpdadmin@fire.ca.gov

Re: Formation of Mello-Roos Community Facilities District

Dear Owner/Developer:

In accordance with its mission of providing the best possible fire protection service to the Half Moon Bay community, the Coastside Fire Protection District (the "District") has considered the demands that new residential and commercial development in the Half Moon Bay area will place upon existing fire protection resources. The District has determined that the cost of providing fire protection services to such new development will exceed the anticipated property tax revenues realized from the development. To avoid burdening current property owners with either higher costs or reduced fire protection services, the District has determined that new developments must make provisions to fund the additional services they will require.

After careful study, the District has determined that the best method of funding the required fire protection resources is by means of a Mello-Roos Community Facilities District ("CFD"). The Mello-Roos Community Facilities Act (the "Act") permits local agencies, such as the District, to form a CFD to finance a range of services and to fund those services by means of a variety of tax measures imposed solely within the CFD. The Act also provides the District with substantial flexibility in determining the boundaries of any new CFD's, permitting the inclusion of non-contiguous parcels within a given CFD.

In the past, the District has requested the formation of Community Facility Districts for developments but has elected not to invoke the assessments, considering such assessments only as a safety net. However, the District's Board of Directors is now requiring all developments of three or more residential units or commercial space exceeding 4,000 squared feet, be part of a CFD and to be assessed per the revised rate schedule. These requirements cover developments including residential, transient lodging, mobile home parks, non-residential, and mixed-use.

The Coastside Fire Protection District will require that the owner/developer cooperate in the establishment of a CFD or make alternative arrangements prior to the District certifying to either City or County planning officials that a new development has properly addressed its fire protection requirements. Failure to enter into a CFD as required by the District may delay or halt issuance of required building or occupancy permits. Please be aware that the formation/annexation of a CFD will take a minimum of three months to complete due to the required legal procedures.

To better acquaint you with the CFD process, here is a review the procedure for the formation/annexation of a CFD:

1. Petition.

The formation/annexation of a CFD is typically initiated by a petition from some or all of the property owners in the proposed CFD. The petition may take the form of the document attached as Exhibit 1. On behalf of the proposed development, you would submit a petition to the District, along with a map that shows the boundaries of the proposed CFD. An example of such a map, along with a copy of the statutory requirements for such a map, are attached as Exhibits 2 and 3, respectively. Should you have difficulty providing a map, the Fire District will produce one for you.

2. Resolution of Intention.

Upon receipt of a valid petition, the District is required to adopt a "Resolution of Intention" to form a CFD. The "Resolution of Intention" sets forth the proposed CFD, the proposed "Rate and Method" of collecting any proposed taxes and any bond measures which will be part of the CFD's formation. The formation of any CFD's by the District will also be guided by the "Goals and Policies for Community Facilities Districts" which were adopted by the District's Board on April 9, 1996, and amended on February 27, 2001, and which are attached as Exhibit 4.

3. Public Hearing/Protest/Resolution of Formation.

Following the adoption of the Resolution of Intention, the District must hold a public hearing on the question of forming the CFD. At the public hearing, landowners or resident voters may protest the formation of the CFD. The District board could then adopt a "Resolution of Formation," absent a protest sufficient under the Act to halt the formation process.

4. Election.

Following adoption of the Resolution of Formation, the owners of property within the new CFD (assuming the property has less than 12 registered voters residing within it), will be asked to vote to approve the imposition of a special tax within the CFD. This vote is usually cast by the owner/developer prior to the sale of any lots within a subdivision. If two-thirds of the votes favor the imposition of the tax, the CFD will be finalized. Otherwise, the formation of the CFD can be cancelled.

Please contact the District if you have additional questions regarding the CFD formation process.

**Petition
(including Waiver)
Regarding Proceedings Under
The Mello-Roos Community Facilities Act of 1982**

Board of Directors
Coastside Fire Protection District
1191 Main St.
Half Moon Bay, CA 94019

Re: Application for Formation of a Community Facilities District (Fire Suppression)

Members of the Board:

The undersigned being the owner of at least 10% of the real property at *(address)*, in the Coastside Fire Protection District as more particularly described and shown in Exhibit A attached hereto and incorporated herein by this reference *(name of facility or development)*, hereby requests that you institute proceedings to establish a Community Facilities District pursuant to the Mello-Roos Community Facilities District Act of 1982, and hereby respectfully petitions and shows as follows:

1. The undersigned requests that the property described as *(name of facility or development)* be included within the Community Facilities District (the "District"), and that you take all steps necessary to complete the formation of the District and provide for the levy of a special tax therein for the purpose of financing the following limited public services, and no others: costs of fire protection services to serve new development within the Coastside Fire Protection District boundaries.
2. The undersigned, intending to proceed as quickly as possible with the formation of the District, hereby waives, to the extent legally permitted, all otherwise applicable time periods for and notices of the election to create the District and order the levy of special tax, and any analysis and/or argument with respect to said election, provided such waiver is unanimous among landowner(s) of the property as required by law.
3. In furtherance of said waiver, the undersigned hereby agrees that the election may be conducted by mail or hand delivered ballot to be returned as quickly as possible to the office of the Coastside Fire Protection District and that the results of said election be canvassed and reported to you as soon as possible.

Respectfully submitted as of the *(day)* of *(month)*, *(year)*.

Very truly yours,

Developer

By: _____
Owner

Owner's Address: _____

SAMPLE BOUNDARY MAP - Submit two copies
Actual Map size must be 18" x 26" with a 1" border

Exhibit 2

PROPOSED BOUNDARY MAP
for
Coastside Fire Protection District
Community Facilities District No. _____
County of San Mateo, State of California

Park Place
Park Place

Parcel No. 310-210-010 Lot 5 & 6 Block 21	Parcel No. 310-210-020 Lot 7 & 8 Block 21	Parcel No. 310-210-030 Lot 8 & 9 Block 21
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Bellevue Avenue

Filed in the office of Coastside Fire Protection District this
_____ day of _____, 20__

Secretary of the Coastside Fire Protection District

I hereby certify that the within map showing proposed boundaries of (name of facility or development), (name of city), San Mateo County, State of California was approved by the Board of Directors of the Coastside Fire Protection District at a regular meeting thereof, held on the _____ day of _____, 20__, by its Resolution No. _____

Secretary of the Coastside Fire Protection District

Filed this _____ day of _____, 20__, at the hour of _____ o'clock __m. in Book _____ of Maps of Assessment and Community Facilities at page _____, as Instrument No. _____ in the office of the county recorder County of San Mateo, State of California.

County Recorder of County of San Mateo
Mark Church, County Recorder

Division 4.5

NOTICE OF SPECIAL ASSESSMENT, SPECIAL TAX AND FORECLOSURE PROCEEDINGS

Part 2

FILING OF MAPS OF DISTRICTS AND RECORDATION OF NOTICES

§ 3110. Description of boundaries; map

(a) The proposed boundaries of the district to be specially taxed or assessed in proceedings shall be described by resolution or ordinance adopted by the legislative body prior to the hearing on the formation or extent of the district. The description of the proposed boundaries shall be by reference to a map of the district which shall indicate by a boundary line the extent of the territory included in the proposed district and the map shall govern for all details as to the extent of the district. The map shall also contain the name of the city and a distinctive designation, in words or by number, of the district shown on the map.

(b) The map shall be legibly draw, printed or reproduced by a process that provides a permanent record. Each sheet of paper or other material used for the map shall be 18 by 26 inches in size, shall have clearly shown therein the particular number of the sheet, the total number of sheets comprising the map, and its relation to each adjoining sheet, and shall have encompassing its border a line that leaves a blank margin one inch in width.

The map shall be labeled substantially as follows: Proposed Boundaries of (here insert name or number of district) (here insert name of city and county thereafter), State of California.

In addition, if the resolution of intention to create the district proposes that some or all tax or bond proceeds of the district would be used to pay for cleanup of any hazardous substance pursuant to subdivision (e) of Section §3313 of the Government Code, the map label shall include the following statement in large, conspicuous letters:

TAXES LEVIED BY THIS DISTRICT MAY BE USED TO PAY FOR CLEANUP OF HAZARDOUS SUBSTANCES.

If the map consists of more than one page, the same entitlement shall be on each page.

The map shall also have thereon legends reading substantially as follows:

(1) Filed in the office of the (clerk of the legislative body) this ____ day of ____, 20__.

(Clerk of the legislative body)

(2) I hereby certify that the within map showing proposed boundaries of (her insert name or number of district) (here insert name of city, and, if not a county, insert name of county thereafter), State of California, was approved by the city council (or other appropriate legislative body) of the (here insert city) at a regular meeting thereof, held on the ____ day of ____, 20__, by its Resolution No. _____.

(3) Filed this ____ date of ____, 20__, at the hour of ____ o'clock __m. in Book _____ of Maps of Assessment and Community Facilities District at page ____, in the office of the county recorder in the County of _____, State of California.

(County Recorder of County of _____)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

COASTSIDE FIRE PROTECTION DISTRICT COMMUNITY FACILITIES DISTRICT NO. __ (FIRE SUPPRESSION)

A special tax applicable to each Parcel in Coastside Fire Protection District Community Facilities District No. __ (herein “CFD No. __”) shall be levied and collected according to the tax liability determined by the Responsible Party through the application of the following procedures. All of the property in CFD No. __, unless exempted by law or by the express provisions of the rate and method of apportionment set forth below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to CFD No. __ unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

“Annual Special Tax Requirement” means the amount necessary in any Fiscal Year to (i) pay for authorized public facilities and /or services, (ii) pay administrative expenses of CFD No. __, (iii) cure any delinquencies in the payment of Annual Special Taxes levied in prior Fiscal Years or (based on delinquencies in the payment of Annual Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, and (iv) maintain reasonable reserves, as determined by the Fire District, for facility, vehicle or equipment replacement costs or service costs in future fiscal years.

“Area of Use” means the area falling within a single tax category of a Parcel devoted to multiple uses.

“Building Floor Area” means the area included within the surrounding exterior walls of building, including each floor of multiple story buildings, exclusive of vent shafts and courts (defined here as open and unobstructed to the sky). The Building Floor Area will be determined by reference to approved building plans and/or such documentation.

“Dwelling Unit” means each separate building, or housing unit within a common building, used to provide living accommodations which are intended, designed or legally required to be occupied by a single family unit for which a certificate of occupancy has been issued. A “Second Unit,” as defined below, shall not constitute a separate Dwelling Unit hereunder.

“Fire District” means the Coastside Fire Protection District.

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

“Maximum Annual Special Tax” means the maximum Annual Special Tax determined in accordance with Section B below, that can be levied in any Fiscal Year.

“Parcel” means any County Assessor’s Parcel or that portion thereof that is within the boundaries of the Fire District based on the equalized tax rolls of the County.

“Responsible Party” is any person or persons who the Fire District Board of Directors may appoint from time to time to compute the levy of Annual Special Taxes in CFD No. —.

“Room” means an inhabitable area (consisting of a room or suite of rooms) which is intended, designed or legally required to be separately rented for the purpose of transient lodging and for the exclusive use of the transient lodger and for which a certificate of occupancy has been issued.

“Second Unit” means a detached or attached Dwelling Unit that meets all of the following criteria: (1) the Second Unit is located on the same Parcel as the primary single family Dwelling Unit, (2) the Second Unit may be rented, but not sold, to a person other than the owner of the primary Dwelling Unit on the Parcel, and (3) the Second Unit is clearly subordinate in size to the primary single family Dwelling Unit.

“Space” means a pad or parking area for a recreational vehicle or mobile home which is intended, designed or legally required to be separately rented and is intended for occupancy. Parking areas which are intended solely for the storage of recreational vehicles or mobile homes that are not occupied are not Spaces.

“Tax Categories” means those categories defined and described in Section B of this Rate and Method of Apportionment of Special Tax.

“Taxable Property” means all real property within the boundaries of the Fire District which is not exempt from the Annual Special Tax pursuant to law, except that the following property shall not be taxed: (i) any acres of land owned by, conveyed to or irrevocably offered for dedication to a public agency, (ii) land which is a public right of way; (iii) land which is an unmanned utility easement making impractical its utilization for a use other than the purpose set forth in the easement; (iv) land used primarily for agricultural related purposes; or (v) any portion of a parcel used for recreational purposes, including, but not limited to, golf courses, trails and open space, or any maintenance or accessory buildings such as storage sheds, landscaping equipment storage areas (but not those portions of structures devoted to commercial uses, including, but not limited to restaurants, bars, pro shops, and banquet facilities) used in connection therewith.

B. TAX CATEGORIES AND DESIGNATION OF MAXIMUM ANNUAL SPECIAL TAX

1. Residential Category

The Residential Category includes all Parcels of Taxable Property within CFD No. ___ on which there are Dwelling Units. The Maximum Annual Special Tax that may be levied on a Parcel in the Residential Category during the Fiscal Year ending June 30, 2022 shall be determined by reference to the following:

- (1) For Parcels with one Dwelling Unit, including Parcels with one Dwelling Unit and one Second Unit, the Maximum Annual Special Tax for the Parcel is \$183.60.
- (2) For Parcels with two Dwelling Units, the Maximum Annual Special Tax for the Parcel is \$373.32.
- (3) For Parcels with more than two Dwelling Units, the Maximum Annual Special Tax is \$183.60 per Dwelling Unit for the first two units plus \$84.89 per Dwelling Unit for each additional Dwelling Unit on the Parcel.
- (4) A Parcel with Dwelling Units that are classified as “low or moderate income housing” by the City of Half Moon Bay or the County of San Mateo will be assessed at 50% of the otherwise applicable rate for such Parcel as set forth above. Notwithstanding the foregoing, if a Parcel with Dwelling Units that are classified as low or moderate income units is owned by a non-profit or public agency that does not pay regular ad valorem property tax, such Parcel shall be assessed at 100% of the applicable rate as set forth above.

2. Transient Lodging Category

The Transient Lodging Category includes each Parcel of Taxable Property within CFD No. ___ that is used in whole or part as a motel, hotel, motor lodge, Recreational Vehicle Park (as that term is defined in Health and Safety Code Section 18215) and other similar facility for the purpose of transient occupancy (not including Mobile Home Parks), and for which a certificate of occupancy has been issued. Any area which is directly and solely related to retail and/or other commercial uses (such as a restaurant, bar or store area) shall be treated as a separate Area of Use and taxed as part of the Non-Residential Category and not the Transient Lodging Category. Lobbies, atria, open space, ballrooms, meeting rooms, hallways, service areas necessary for the use and operation of the facility as a motel, hotel, motor lodge or Recreational Vehicle Park or other similar facility shall not be treated as a separate Area of Use, but shall be considered part and parcel of the Transient Lodging Category and taxed on a per Room or per Space basis only. Properties with several Areas of Use shall be taxed under the Mixed Use Category. The Maximum Annual Special Tax that may be levied on

Taxable Property in the Transient Lodging Category during the Fiscal Year ending June 30, 2022 is \$30.79 per Space or room.

3. *Mobile Home Park Category*

The Mobile Home Park Category includes each Parcel of Taxable Property within CFD No. ___ that is zoned or permitted to be used as a Mobile Home Park (as that term is defined in Civil Code Section 98.4) for which a certificate of occupancy has been issued. The Maximum Annual Special Tax that may be levied on Taxable Property within the Mobile Home Park Category during the Fiscal Year ending June 30, 2022 is \$30.79 per Space.

4. *Non-Residential Category*

The Non-Residential Category includes each Parcel of Taxable Property within CFD No. ___ which has been zoned or is permitted to be used in whole or in part for non-residential uses (including office, retail, industrial and other commercial uses but not Taxable Property designated under the Transient Lodging or Mobile Home Park Categories) for which a certificate of occupancy has been issued. The Maximum Annual Special Tax that may be levied on Taxable Property within the Non-Residential Category during the Fiscal Year ending June 30, 2022 is \$0.0977 per square foot of Building Floor Area.

5. *Mixed Use Category*

Parcels within CFD No. ___ which are zoned or permitted to be used for uses which fall in more than one of the Tax Categories defined above and for which a certificate of occupancy has been issued shall be taxed for each category of use. The calculation of Maximum Annual Special Tax shall be performed separately for each Area of Use.

C. ADJUSTMENTS TO MAXIMUM ANNUAL SPECIAL TAX

The Maximum Annual Special Tax for all Tax Categories shall increase each Fiscal Year by two percent (2%) of the amount in effect in the prior Fiscal Year. Under no circumstances shall the special tax for a Parcel in the Residential Category increase in any one Fiscal year more than ten percent (10%) over the prior Fiscal Year, as a consequence of delinquencies or default by other Parcels in CFD No. ___.

D. METHOD OF LEVY AND COLLECTION OF THE SPECIAL TAX

On or about July 1 of each Fiscal Year, but in any event in sufficient time to include the levy of the Annual Special Taxes on the County's secured tax roll, the Responsible Party shall determine the Annual Special Tax Requirement for that Fiscal Year. The Responsible Party shall also allocate all Parcels of Taxable Property to the appropriate Tax Category based on reference to building permits, certificates of occupancy, zoning

maps or other planning documents. The Annual Special Tax shall then be levied on all Parcels of Taxable Property as follows:

- Step 1:** Calculate the total Annual Special Tax revenue that could be collected from Taxable Property within the CFD based on application of the Maximum Annual Special Tax rates determined pursuant to Section B above.
- Step 2:** Divide the Annual Special Tax Requirement by the maximum revenues that could be collected as determined in Step 1.
- Step 3:** If the ratio determined in Step 2 is greater than or equal to 1, levy the Maximum Annual Special Tax determined pursuant to Section B on all Taxable Property in the CFD. If the ratio determined in Step 2 is less than 1, continue to Step 4.
- Step 4:** Levy the Maximum Annual Special Tax against all Parcels of Taxable Property in equal percentages up to 100% of the Maximum Annual Special Tax determined pursuant to Section B above.

The Annual Special Tax for CFD No. __ shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Fire District may (under the authority of Government Code Section 53340), in any particular case, bill the taxes directly to the property owner, off the County tax roll, and the Annual Special Taxes will be equally subject to foreclosure if delinquent.

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**COASTSIDE FIRE PROTECTION DISTRICT
GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS**

I. INTRODUCTION

The Mello-Roos Community Facilities Act requires any public agency initiating proceedings to establish a Community Facilities District (CFD) to first consider and adopt local goals and policies related to CFDs. At a minimum, these goals and policies must include the following:

1. A statement of the priority that various kinds of public facilities will have for financing through a CFD. Public facilities to be owned and operated by public agencies other than the District must also be included in the statement of priorities.
2. A statement concerning the credit quality which is to be required of CFD bond issues. This statement must include criteria for evaluating credit quality.
3. A statement concerning the steps to be taken to ensure that prospective property purchasers are fully informed about special taxes imposed on property within any CFD.
4. A statement concerning the criteria to be used for evaluating the equity of tax allocation formulas (i.e., special taxes allocated to different land use categories). This statement must include the desirable and maximum special tax levels to be levied against any CFD properties.
5. A statement establishing the criteria for preparing appraisals, including definitions, standards, and assumptions to be used in appraisals.

The following are the local goals and policies adopted by the Coastside Fire Protection District.

II. PRIORITIES FOR CFD FINANCING

Priority for CFD financing shall be given to public facilities which: (a) provide benefits of a regional nature, thereby serving not only the future residents of the CFD, but also the communities outside of the CFD, or (b) are found by the District to provide "significant public benefit." Once adequate provision has been made for facilities of a regional nature or those providing significant public benefit, the District may also choose to finance public improvements which primarily benefit residents within the CFD, or which provide less significant public benefit.

The improvements eligible to be financed by a CFD must be owned and operated by a public agency, and must have a useful life which is greater than the term of the bond issue, except that up to five percent of the proceeds of any issue may be owned and operated by a privately-owned public utility. The development proposed within a CFD must be consistent with the general plan

and must have already received legislative approvals such as zoning or specific plan approvals. The construction of improvements pursuant to a CFD shall not vest any rights to future entitlements on any properties, including those which are responsible for paying special taxes.

The list of eligible public facilities include, but are not limited to:

- Police and fire protection facilities
- Ambulance and paramedic facilities
- Government facilities

The funding of public facilities to be owned and operated by public agencies other than the District shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the District, or the proposed facilities are otherwise deemed to be appropriate for financing by a CFD and are consistent with approved land use plans for the property, the District shall consider entering into a joint financing agreement or joint powers authority in order to finance these facilities.

III. CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES

In order to minimize the likelihood of a CFD defaulting on its payment to bond holders, all CFD bond issues shall require at least a three to one property value to public lien ratio. Property value may be based on either an appraisal or on assessed values as indicated on the county assessor's tax roll. The appraiser shall be selected by the District, and the appraisal shall be based on criteria as described below under Section V of these goals and policies. The appraisal must be dated within six months of the date the bonds are issued. The public lien amount shall be based on the size of the bond issue currently being sold, plus any public indebtedness currently existing against the properties to be assessed. Although it is not required that the value to lien ratio be three to one on a parcel by parcel basis, consideration must be given to this ratio when apportioning special taxes to different parcels, to assure the CFD property owners will accept their responsibilities for paying the special taxes of each parcel.

A reserve fund equal to the lesser of (i) ten percent of the original proceeds of the bond issue, (ii) the maximum debt service on all outstanding bonds, or (iii) 125 percent of the average annual debt service on all outstanding bonds shall be required for all bond issues in CFDs where less than 95 percent of the buildable acreage has been developed. A smaller reserve fund may be required by the District for bond issues in CFDs where over 95 percent of the buildable acreage has been developed.

Property tax delinquency rates on parcels included in a CFD must be no greater than ten percent on the date on which bonds are issued for that CFD. Each bond issue may require a current (dated within six months) CFD absorption study prepared by a consultant hired by the District, if the District determines that such objective data is necessary to analyze the feasibility of the project. An inadequate property value to public lien ratio, tax delinquencies in excess of ten percent, or projects of questionable economic viability may cause the District to disallow the sale

of bond issues or require additional credit enhancement prior to bond sale.

The District may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the District. Furthermore, the District will consider exceptions to these policies for projects which meet the public policy goals relating to affordable housing and creation of employment opportunities or tax revenues.

Bond issues which have less than a three to one value to lien ratio but are approved by the District for public policy reasons must be approved by four-fifths of the members of the District's legislative body.

IV. DISCLOSURE REQUIREMENTS FOR PROSPECTIVE PROPERTY PURCHASERS

DISCLOSURE REQUIREMENTS FOR BUILDERS AND DEVELOPERS

Builders who are selling new homes and developers who are selling lots or parcels that are within a CFD shall provide disclosure notice to purchasers of property that complies with all of the requirements of Section 53341.5 of the Government Code. The form of the notice to be provided shall be substantially equivalent to that shown in Exhibit A. Modifications to this form shall only be allowed when necessary to more accurately describe the characteristics and tax structure of the CFD, or of two or more CFDs that levy or are authorized to levy special taxes.

The disclosure notice must be provided to prospective purchasers of property at or prior to the time the contract or deposit receipt for the purchase of property is executed. A prospective purchaser of property has three days after delivery of the disclosure document in person, or five days after the document was deposited in the mail, to terminate an agreement for the purchase of property. Builders and developers are required to keep an executed copy of each disclosure document to prove that disclosure has been provided to all purchasers of property within a CFD.

Builders and developers shall be encouraged to develop a program to inform prospective purchasers about a CFD and its related special tax liabilities prior to the date on which a purchase agreement or deposit receipt is executed. The District may require that all advertising for properties within a CFD state that the property is within a CFD and is subject to special taxes, unless the builder or developer has instituted a program to otherwise inform prospective buyers about the CFD.

DISCLOSURE REQUIREMENTS FOR THE RESALE OF HOMES OR LOTS

The District shall, upon request provide a notice of special taxes to sellers of property (other than builders or developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. This disclosure shall be in a form substantially equivalent to that shown in Exhibit B. This notice shall be provided by the District within five working days

of receiving a request for the notice. A reasonable fee may be charged for providing the notice.

The District shall also establish procedures to promptly respond to inquiries concerning current and future special tax liability.

V. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Special tax formulas shall provide for special tax levels which satisfy the following expenses of a CFD:

- 110 percent gross debt service coverage for all bonded indebtedness
- the reasonable and necessary administrative expenses of the CFD
- amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD

Additionally, the special tax formula may provide for the following:

- lease payments for existing or future facilities
- the cost of providing services, as permitted under Section 53313
- the cost of remarketing, credit enhancement and liquidity facility fees
- the cost of acquisition, construction, furnishing or equipping of facilities
- the accumulation of funds reasonably required for future debt service
- any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD
- amounts equal to projected delinquencies of special tax payments
- any other costs or payments permitted by law
- costs associated with the release of funds from an escrow account

The special tax formula shall be reasonable and equitable in allocating public facilities costs to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners association, are used for a public purpose such as open space or wetlands, are affected by easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

The total projected property tax levels for any residential parcel within a CFD shall not exceed two percent of the projected initial sales price of a fully developed parcel (i.e., with a completed structure). The total projected property tax level shall include ad valorem property taxes, special taxes, special assessments, and other direct and overlapping debt supported by property taxes. Commercial properties which provide economic benefits to the District may exceed the two percent property tax level approved by the District.

The maximum special tax for any developed residential parcel shall not increase at a rate greater than two percent annually. The special taxes formula should be structured such that special taxes levied on developed property are consistent year to year. Changes in the special tax needs from year to year should, to the degree possible, be borne by undeveloped property. Under no circumstances shall the special tax levied on any parcel of developed property be increased by more than ten percent as a consequence of delinquency or default by the owner of any other parcel.

VI. APPRAISAL STANDARDS

A. Definition of Appraisal

An appraisal is a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

B. Standards of Appraisal

A detailed appraisal shall be prepared for complex appraisal problems. A detailed appraisal shall reflect nationally recognized appraisal standards including, to the extent appropriate, the Uniform Appraisal Standards for Federal Land Acquisition. An appraisal must contain sufficient documentation including valuation data and the appraiser's analysis of the data to support his or her opinion of value. At a minimum, the appraisal shall contain the following items:

- a. The purpose and/or function of the appraisal, a definition of the property being appraised, and a statement of the assumptions and limiting conditions affecting the appraisal.
- b. An adequate description of the physical characteristics of the property being appraised, location, zoning, present use, and an analysis of highest and best use.
- c. All relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method, such as a market

approach using sales that area at the same stage of land development. If more than one approach is utilized, there shall be an analysis and reconciliation of approaches to value that are sufficient to support the appraiser's opinion of value.

- d. A description of comparable sales, including a description of all relevant physical, legal and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction.
- e. A statement of the value of real property.
- f. The effective date of valuation, date of appraisal, signature and certification of the appraisal.

C. Conflict of Interest

No appraiser or review appraiser shall have any interest direct or indirect in the real property being appraised by the District that would in any way conflict with the preparation or review of the appraisal.

D. Appraisal Premises

The appraisal should contain two or three values which shall be determined by the public agency and its consultants.

- 1. Raw Land Value. (Premise #1). The total land within the project is valued "as is."
 - a. With any existing infrastructure.
 - b. Without proposed infrastructure being financed.
 - c. With existing parcel configuration.
 - d. Considering planned densities allowed by the specific plan of the project.

This is a typical type of land valuation.

- 2. Project Build-out Value. (Premise #2). The total land within the project is valued under projected conditions.
 - a. With proposed infrastructure being financed completed.
 - b. At the planned densities allowed by the existing entitlements.

- c. Land development is at the stage of being marketed to merchant builders or tentative tract maps ready to be filed.

This is a projected value based on project plans predicated on market conditions continuing as projected.

- 3. Bulk Land Value. (Premise #3). The total land within the project is valued under projected conditions.
 - a. With proposed infrastructure being financed completed.
 - b. With existing parcel configuration.
 - c. Considering planned densities allowed by the special plan of the project.

This premise should consider a discounted or "quick sale" valuation considering time, cost and the possibility of a per unit value based on the total size of the project.

VII. OTHER MATTERS

The District may, with respect to a particular CFD, consider additional policies to those required by the Mello-Roos Community Facilities Act, including policies related to developer deposits for formation expenses, bond refundings, foreclosure covenants, and other issues.

EXHIBIT A

NOTICE OF SPECIAL TAX [See Note 1]

COASTSIDE FIRE PROTECTION DISTRICT

COMMUNITY FACILITIES DISTRICT NO. ____

COUNTY OF SAN MATEO, CALIFORNIA

TO: THE PROSPECTIVE PURCHASER OF THE REAL PROPERTY KNOWN AS:

THIS IS A NOTIFICATION TO YOU PRIOR TO YOUR ENTERING INTO A CONTRACT TO PURCHASE THIS PROPERTY. THE SELLER IS REQUIRED TO GIVE YOU THIS NOTICE AND TO OBTAIN A COPY SIGNED BY YOU TO INDICATE THAT YOU HAVE RECEIVED AND READ A COPY OF THIS NOTICE.

1. This property is subject to a special tax, which is in addition to the regular property taxes and any other charges, fees, special taxes, and benefit assessments on the parcel. It is imposed on this property because it is a new development, and may not be imposed generally upon property outside of this new development. If you fail to pay this tax when due each year, the property may be foreclosed upon and sold. The tax is used to provide public facilities or services that are likely to particularly benefit the property. YOU SHOULD TAKE THIS TAX AND THE BENEFITS FROM THE FACILITIES AND SERVICES FOR WHICH IT PAYS INTO ACCOUNT IN DECIDING WHETHER TO BUY THIS PROPERTY.

2. The maximum special tax which may be levied against this parcel to pay for public facilities is \$ _____ during the ____ - ____ tax year [see Note 2]. This amount will increase by ____ percent per year after that [see Note 3]. The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid, but in any case not after the ____ - ____ tax year [see Note 4]. An additional special tax will be used to pay for ongoing service costs, if applicable. The maximum amount of this tax is _____ dollars (\$ _____) during the ____ - ____ tax year. This amount may increase by _____, if applicable, and that part may be levied until the ____ - ____ tax year (or forever, as applicable) [see Note 5].

3. The authorized facilities which are being paid for by the special taxes, and by the money

received from the sale of bonds which are being repaid by the special taxes are:

[see Note 6].

These facilities may not yet have all be constructed or acquired and it is possible that some may never be constructed or acquired.

In addition, the special taxes may be used to pay for costs of the following services:

[see Note 7].

YOU MAY OBTAIN A COPY OF THE RESOLUTION OF FORMATION WHICH AUTHORIZED CREATION OF THE COMMUNITY FACILITIES DISTRICT, AND WHICH SPECIFIES MORE PRECISELY HOW THE SPECIAL TAX IS APPORTIONED AND HOW THE PROCEEDS OF THE TAX WILL BE USED, FROM THE _____ BY CALLING _____ [see Note 8]. THERE MAY BE A CHARGE FOR THIS DOCUMENT NOT TO EXCEED THE REASONABLE COST OF PROVIDING THE DOCUMENT.

I (WE) ACKNOWLEDGED THAT I(WE) HAVE READ THIS NOTICE AND RECEIVED A COPY OF THIS NOTICE PRIOR TO ENTERING INTO A CONTRACT TO PURCHASE OR DEPOSIT RECEIPT WITH RESPECT TO THE ABOVE-REFERENCED PROPERTY. I (WE) UNDERSTAND THAT I (WE) MAY TERMINATE THE CONTRACT TO PURCHASE OR DEPOSIT RECEIPT WITHIN THREE DAYS AFTER RECEIVING THIS NOTICE IN PERSON OR WITHIN FIVE DAYS AFTER IT WAS DEPOSITED IN THE MAIL BY GIVING WRITTEN NOTICE OF THAT TERMINATION TO THE OWNER, SUBDIVIDER, OR AGENT SELLING THE PROPERTY.

DATE: _____

DATE: _____

DATE: _____

Notes to the CFD Disclosure

Note 1: The heading must be in type no smaller than eight point type.

Note 2: Provide the maximum special tax that can be levied on a unit in a particular year (usually the first year the tax can be levied). The maximum tax on the specific unit being purchased by the buyer must be disclosed; if the backup tax is the maximum tax, this tax must be determined and disclosed for the particular unit that is being purchased. It is recommended that a separate disclosure form be prepared for each unit in a subdivision.

Note 3: This applies to the increase in the maximum special tax, not the potential increase in the tax actually levied.

Note 4: If it can be ascertained, disclose the last fiscal year in which the tax will be levied and collected.

Note 5: If special taxes in excess of the special taxes explained in notes 1-3 will be collected to pay for public services, these taxes must be disclosed here. The disclosure requirements are the same as the disclosure explained by notes 1-3.

Note 6: The facilities being financed by the special taxes must be described. The description may be general and may include alternatives and options, but it must be sufficiently informative to allow the home buyer to understand what the funds of the District will be used to finance.

Note 7: The same requirements explained in note 5, except that services to be paid for by the CFD must be described.

Note 8: Provide the office of the District in which the prospective buyer may obtain a copy of the resolution of formation and the phone number to call to obtain the resolution.

EXHIBIT B

NOTICE OF SPECIAL TAX [See Note 1]

COASTSIDE FIRE PROTECTION DISTRICT

COMMUNITY FACILITIES DISTRICT NO. ____

COUNTY OF SAN MATEO, CALIFORNIA

TO: THE PROSPECTIVE PURCHASER OF THE REAL PROPERTY KNOWN AS:

THIS IS A NOTIFICATION TO YOU PRIOR TO YOUR PURCHASING THIS PROPERTY.

1. This property is subject to a special tax, which is in addition to the regular property taxes and any other charges and benefit assessments on the parcel. This special tax may not be imposed on all parcels within the city or county where the property is located. If you fail to pay this tax when due each year, the property may be foreclosed upon and sold. The tax is used to provide public facilities or services that are likely to particularly benefit the property. YOU SHOULD TAKE THIS TAX AND THE BENEFITS FROM THE FACILITIES AND SERVICES FOR WHICH IT PAYS INTO ACCOUNT IN DECIDING WHETHER TO BUY THIS PROPERTY.

2. The maximum special tax which may be levied against this parcel to pay for public facilities is \$_____ during the ____ - ____ tax year [see Note 2]. This amount will increase by ____ percent per year after that [see Note 3]. The special tax will be levied each year until all of the authorized facilities are built and all special tax bonds are repaid, but in any case not after the ____ - ____ tax year [see Note 4].

An additional special tax will be used to pay for ongoing service costs, if applicable. The maximum amount of this tax is _____ dollars (\$_____) during the ____ - ____ tax year. This amount may increase by _____, if applicable, and that part may be levied until the ____ - ____ tax year (or forever, as applicable) [see Note 5].

3. The authorized facilities which are being paid for by the special taxes, and by the money received from the sale of bonds which are being repaid by the special taxes are:

[see Note 6].

These facilities may not yet have all be constructed or acquired and it is possible that some may never be constructed or acquired.

In addition, the special taxes may be used to pay for costs of the following services:

[see Note 7].

YOU MAY OBTAIN A COPY OF THE RESOLUTION OF FORMATION WHICH AUTHORIZED CREATION OF THE COMMUNITY FACILITIES DISTRICT, AND WHICH SPECIFIES MORE PRECISELY HOW THE SPECIAL TAX IS APPORTIONED AND HOW THE PROCEEDS OF THE TAX WILL BE USED, FROM THE _____ BY CALLING _____ [see Note 8]. THERE MAY BE A CHARGE FOR THIS DOCUMENT NOT TO EXCEED THE REASONABLE COST OF PROVIDING THE DOCUMENT.

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