

ITEM 4.21

CITY MANAGER'S REPORT APRIL 10, 2023 REGULAR CITY COUNCIL MEETING

ITEM: **AUTHORIZE THE FORMATION OF COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIVER ISLANDS PUBLIC SERVICES AND FACILITIES #2)**

RECOMMENDATION: **Adopt a Resolution of Intention to Establish City of Lathrop Community Facilities District No. 2023-1 (River Islands Public Services and Facilities #2) and a Future Annexation Area to Finance Public Services and Facilities**

SUMMARY:

As part of their development agreement requirements, master developers are required to submit to the City a fiscal impact analysis. The purpose of a fiscal impact analysis is to estimate the overall financial impacts a development will have on the City. This analysis enables the City to estimate the difference between the costs of providing services to a new development and the revenue the new development will generate.

In 2013, River Islands completed a fiscal impact analysis for their project. The fiscal impact analysis projected that the River Islands (Developer) development would produce a shortfall to the City's General Fund. In order for the City to ensure that development continued to pay its own way, Community Facilities District (CFD) No. 2013-1 (River Islands Public Services and Facilities) was formed to cover the shortfalls. Since that time, River Islands and the City has reviewed project revenues and expenses annually to ensure the project continues to perform as projected.

In January 2023, the City and San Joaquin County (SJC) amended their property tax sharing agreement for the West Lathrop Specific Plan (WLSP), which includes the River Islands Development. The amended agreement will revise the property tax formula for new development within the River Islands tax area from a 90%-County/10%-City tax split to a 60%-County/40%-City tax split. While this agreement has no immediate effect on property tax revenue received, it may generate substantially more property tax revenue than previously anticipated in the future development area.

As a result of the change in the property tax revenue, a new CFD will need to be created for all future development to allow the City flexibility to adjust the assessment if or when the shortfall is reduced. The new CFD will apply to future development and will not impact current residents. Currently, the future development area is owned by the developer.

It is recommended Council authorize the attached Resolution of Intention to establish the City of Lathrop Community Facilities District No. 2023-1 (River Islands Services and Facilities #2) (the "District") and to levy a special tax to finance the costs of certain public facilities and services of benefit to the properties within the District.

BACKGROUND:

City Staff, the Financing Team and the Developer have had several discussions to help formulate the proposed District and the special tax to be levied, which has been approved by the developer and will be calculated and levied as set forth in the Rate and Method of Apportionment of Special Tax (attached to the Resolution of Intention (Attachment A)).

The District will initially include three (3) parcels and is setup with the contemplation that additional land areas (the "Future Annexation Area") will be annexed into the District in the future upon the consent of the then owner/developer as the area develops.

The District will have a single tax rate formula, for the levy of the "Special Tax", for the purpose of funding services, and will convert to the purpose of funding facilities in the future.

The description of the services authorized to be paid for by the Special Tax, as well as the facilities/public improvements are described in the "List of Services and Facilities" (Exhibit A of Attachment A). The services shall include:

Services

- Police Protection Services
- Maintenance of open space; including irrigation and vegetation control
- Maintenance of roads and roadways; including street sweeping, street repair, street striping and repair and repainting of sound walls
- Storm protection; including operation and maintenance of storm drainage system
- Landscaping of public areas; including irrigation, tree trimming and vegetation maintenance and control

Facilities

- Roadway and related improvements
- Bradshaw's Crossing Bridge improvements
- Water Infrastructure
- Sewer Infrastructure
- Public Landscaping and Recreational Features

The City Council has four documents for consideration:

1. The Resolution of Intention (Attachment A) - The resolution sets forth the intention to establish the District, designates the name of the District, identifies the services and facilities to be funded, and states the City's intention to levy a special tax to pay for the services and in the future to pay for the acquisition, construction, and associated costs of the public facilities. The Resolution also sets June 12, 2023 as the date for a hearing on the matters set forth therein.
2. List of Services and Facilities (Exhibit A of Attachment A) - Lists the services and projects that are authorized to be funded from special tax revenues generated within the District.
3. The Rate and Method of Apportionment of Special Tax (Exhibit B of Attachment A) is a key document in that it provides for the security for the funding of the District. This document presents how the revenues from the District are to be collected and also sets forth the purpose and level of the taxes from the various different types of properties.
4. The District Boundary Map (Attachment B) - Details the legal parcels which will make up the properties within the boundaries of the District, showing the area initially to be taxed and the area that may be taxed later if annexed to the CFD as the "Future Annexation Area."

Today's resolution sets the public hearing date at which time the City Council will hear a presentation on the proposed District. At the same time the election of the property owners is expected to be completed. The election results will unanimously favor the District formation, as the Developer, as the only property owner within the District boundaries, will be voting. It is expected that the Developer will waive a number of noticing and election procedures that make it possible for the proposed district to be formed in a relatively short period of time.

At the public hearing on the District, protests against the establishment of the District, the extent of the District, or the furnishing of specified types of public facilities or services within the District may be made orally or in writing by any interested persons or taxpayers. Any protests pertaining to the regularity or sufficiency of the proceedings shall be made in writing and shall clearly set forth the irregularities and defects to which objection is made. All written protests shall be filed with the City Clerk on or before the time fixed for the hearing. The City Council may waive any irregularities in the form or content of any written protest and at the hearing may correct minor defects in the proceedings. Written protests may be withdrawn in writing at any time before the conclusion of the hearing. If the City Council determines at the conclusion of the hearings to proceed with the establishment of the District, the proposed voting procedure shall be by landowners voting in accordance with the Mello-Roos Community Facilities District Act of 1982, as there are less than twelve registered electors residing within the proposed district boundaries.

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Notice of the Public Hearing will be published in the same manner as the City's other public hearing notifications at least seven days prior to the hearing date. Furthermore, a notice of the hearing will be mailed to each property owner and registered voter within the proposed District boundaries (unless otherwise waived).

REASON FOR RECOMMENDATION:

Staff has worked with River Islands to complete a fiscal impact analysis for their project. The fiscal impact analysis has determined that the River Islands development will produce a shortfall to the City's General Fund. In order for the City to ensure that development continues to pay its own way, a Community Facilities District (CFD) needs to be formed to cover the shortfalls. River Islands and the City has committed to an annual review of project revenues and expenses to ensure the project continues to perform as projected.

In order to form the CFD, Council needs to adopt the Resolution of Intention. The Resolution is required to be adopted by a majority approval of the City Council.

FISCAL IMPACT:

River Islands has funded the forming of the CFD.

ATTACHMENTS:

- A. Resolution of Intention to Establish Community Facilities District
Exhibits to Attachment A:
 - A. Description of Authorized Services and Facilities
 - B. Rate and Method of Apportionment of Special Tax

- B. Community Facilities District No. 2023-1 Boundary Map

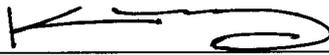
**CITY MANAGER'S REPORT
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APPROVALS:



Cari James
Director of Finance

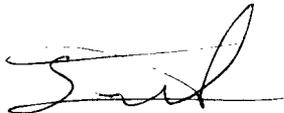
3/29/2023
Date



FOR

Brad Taylor
City Engineer

3.30.2023
Date



Salvador Navarrete
City Attorney

3-30-2023
Date



Stephen J. Salvatore
City Manager

4.4.23
Date

RESOLUTION NO. 23-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP OF INTENTION TO ESTABLISH CITY OF LATHROP COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIVER ISLANDS PUBLIC SERVICES AND FACILITIES #2) AND A FUTURE ANNEXATION AREA TO FINANCE PUBLIC SERVICES AND FACILITIES

WHEREAS, under the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code (the "Act"), the City Council (the "Council") of the City of Lathrop (the "City") is authorized to establish a community facilities district and to act as its legislative body; and

WHEREAS, this Council, having received a request from the owners of the area of developing land proposed to be included in the proposed community facilities district within the City, now desires to proceed with the establishment of such community facilities district to finance costs of certain public services required to meet the demands of new development of such land; and

WHEREAS, pursuant to Section 53339.2 of the Act, this Council further desires to undertake proceedings to provide for future annexation of territory to the proposed community facilities district.

NOW, THEREFORE, IT IS RESOLVED as follows:

1. Authority. This Council proposes to conduct proceedings to establish a community facilities district pursuant to the Act, and hereby determines that public convenience and necessity require that a future annexation area be established pursuant to the Act.

2. Name of CFD; Future Annexation Area. The name proposed for the community facilities district is City of Lathrop Community Facilities District No. 2023-1 (River Islands Public Services and Facilities #2) (the "CFD").

The name proposed for the territory proposed to be annexed into the CFD in the future is "City of Lathrop Community Facilities District No. 2023-1 (River Islands Public Services and Facilities #2) (Future Annexation Area)" (the "Future Annexation Area").

3. Boundaries Described. The proposed boundaries of the CFD and the Future Annexation Area are as shown on the map of it on file with the City Clerk, which boundaries are hereby preliminarily approved and to which map reference is hereby made for further particulars. This Council finds that the map is in the form and contains the matters prescribed by Section 3110 of the California Streets and Highways Code. This Council directs the City Clerk to certify the adoption of this resolution on the face of the map, and to file a copy of the map in the office of the

City Clerk in accordance with Section 3111 of the California Streets and Highways Code, and within 15 days of the date of adoption of this resolution but in no event later than 15 days prior to the public hearing provided for herein transmit the map to the County Recorder for recording in the Book of Maps of Assessment and Community Facilities Districts in the office of the County Recorder of the County of San Joaquin.

Parcels within the Future Annexation Area shall be annexed to the CFD only with the unanimous approval (each, a "Unanimous Approval") of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed and all or any portions of territory that annex into the CFD from the Future Annexation Area or otherwise may be annexed into a separate zone or improvement area to be designated at the time of such annexation, all without any requirement for additional public hearings, resolutions of the City Council or other additional proceedings. In connection with establishing such zone or improvement area, all proceedings for approval of an appropriations limit, the rate and method of apportionment and manner of collection of special taxes, and the authorization to incur bonded indebtedness may differ from other designated areas of the CFD, all as set forth in the Unanimous Approval, and shall apply only to the parcel or parcels within such zone or improvement area.

4. Services and Facilities. The types of public facilities and services proposed to be provided within the CFD and the Future Annexation Area are set forth on Exhibit A attached to this Resolution (the "Services" and "Facilities"). The Council hereby finds that these Services and Facilities are necessitated by new development occurring and anticipated within the CFD and the Future Annexation Area and the Council hereby determines that the increased services and facilities are necessary to meet increased demands placed upon local agencies as the result of development occurring or to occur within the CFD and the Future Annexation Area. The Council hereby finds and determines that the public interest will not be served by allowing the property owners in the CFD to enter into a contract in accordance with Section 53329.5(a) of the Act. Notwithstanding the foregoing, the Council, on behalf of CFD, may enter into one or more contracts directly with any of the property owners with respect to the construction and/or acquisition of any portion of the Facilities.

The City Manager is hereby authorized and directed to enter into joint community facilities agreements with any entity that will share in providing the Services and Facilities, as may be necessary to comply with the provisions of Section 53316.2(a) and (b) of the Act. The Council hereby declares that such joint agreements will be beneficial to owners of property in the area of the CFD.

5. Special Tax. Except to the extent that funds are otherwise available, the City will levy the special taxes (together, the "Special Tax") to pay directly for the Services and Facilities. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in the CFD, will be levied annually within the CFD, and collected in the same manner as ordinary ad valorem property taxes, or in such other manner as this Council or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of

apportionment of the Special Tax among the parcels of real property within the CFD in sufficient detail to allow each landowner within the proposed CFD to estimate the maximum amount such owner will have to pay, are described in Exhibit B attached hereto and hereby incorporated herein (the "Rate and Method").

This Council hereby finds that the provisions of Section 53313.6, 53313.7 and 53313.9 of the Act (relating to adjustments to *ad valorem* property taxes and schools financed by a community facilities district) are inapplicable to the proposed CFD.

As required by Section 53339.3(d) of the Act, the Council hereby determines that the special tax proposed to pay for one or more Services and Facilities to be supplied within the Future Annexation Area will be equal to the special taxes levied to pay for the same Services and Facilities for similarly designated parcels in the original area of the CFD.

6. Exempt Property. Except as may otherwise be provided by the Act, by law or by the rate and method of apportionment of the Special Tax for the CFD, all lands owned by any public entity, including the United States, the State of California and/or the City, or any departments or political subdivisions thereof, shall be omitted from the levy of the Special Tax to be made to cover the costs and expenses of the Services and Facilities and the CFD. In the event that a portion of the property within the CFD shall become for any reason exempt, wholly or in part, from the levy of the Special Tax, this Council will, on behalf of the CFD, increase the levy to the extent necessary upon the remaining property within the CFD which is not exempt in order to yield the required annual expenses of the CFD, subject to the provisions of the rate and method of apportionment of the Special Tax.

7. Election. The levy of the Special Tax shall be subject to the approval of the qualified electors of the CFD at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed CFD, with each owner having one vote for each acre or portion of an acre such owner owns in the CFD.

A special tax shall be levied in the Future Annexation Area only with the Unanimous Approval of the owner or owners of each parcel or parcels at the time that parcel or those parcels are annexed, without any requirement for further public hearings or additional proceedings.

8. CFD Report. The City's Finance Director, as the officer having charge and control of the Services and Facilities in and for the CFD, or the designee of such officer, is hereby directed to study said proposed Services and Facilities and to make, or cause to be made, and file with the City Clerk a report in writing, (the "CFD Report") presenting the following:

(a) A description of the Services and Facilities by type which will be required to adequately meet the needs of the CFD.

(b) An estimate of the fair and reasonable cost of the Services and incidental expenses in connection therewith.

(c) An estimate of the fair and reasonable cost of the Facilities including the cost of acquisition of lands, rights-of-way and easements, any physical facilities required in conjunction therewith and incidental expenses in connection therewith.

The CFD Report shall be made a part of the record of the public hearing specified below.

9. Public Hearing. Monday, June 12, 2023, at 7:00 p.m. or as soon as possible thereafter, in the Council Chambers, 390 Towne Centre Drive, Lathrop, California 95330, be, and the same are hereby appointed and fixed as the time and place when and where this Council, as legislative body for the CFD, will conduct a public hearing on the establishment of the CFD and the Future Annexation Area and consider and finally determine whether the public interest, convenience and necessity require the formation of the CFD, the Future Annexation Area and the levy of the Special Tax.

At the hearing, testimony concerning the CFD, the extent of the CFD and Future Annexation Area or the furnishing of the particular types of Services and Facilities will be heard and protests will be considered from registered voters residing within the CFD and persons owning real property within the CFD. Written protests by a majority of the registered voters (if at least six such voters protest), or by the owners of a majority of the land (by acreage) which would be subject to special taxation within the proposed the CFD will require the suspension of proceedings for at least one year. Written protests must be filed with the City Clerk at or before the time fixed for the hearing. If such protests are directed only against certain elements of the proposed Services and Facilities or proposed special tax, and if such protests constitute a majority protest, only those elements shall be deleted from the proceedings.

10. Notice of Hearing. The City Clerk is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD and the Future Annexation Area. The publication shall be completed at least seven days before the date of the public hearing specified above. The City may also cause notice of the hearing to be given to each property owner within the CFD by first class mail, postage prepaid, to each such owner's address as it appears on the most recent tax records of San Joaquin County or as otherwise known to the City to be correct. Such mailing shall be completed not less than 15 days before the date of the public hearing. Each of the notices shall be substantially in the form specified in Section 53322 of the Act, with the form summarizing the provisions hereof hereby specifically approved.

11. Billing of Special Tax. It is anticipated that the special tax will be billed as a separate line item on the regular property tax bill. However, this Council reserves the right, under Section 53340, to utilize any method of collecting the special

tax which it shall, from time to time, determine to be in the best interests of the City, including, but not limited to, direct billing by the City to the property owners and supplemental billing.

12. Further Action. The Mayor, City Manager/Treasurer, Finance Director, City Attorney, City Clerk and all other officers and agents of the City are hereby authorized and directed to take all actions necessary or advisable to give effect to the transactions contemplated by this Resolution.

13. No Obligation. This Resolution shall in no way obligate the Council of the City to form the CFD. The formation of the CFD shall be subject to the approval of this Council by resolution following the holding of the public hearing referred to above.

* * * * *

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Lathrop at a meeting held on the 10th day of April, 2023, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney

EXHIBIT A

CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2023-1
(RIVER ISLANDS PUBLIC SERVICES AND FACILITIES #2)
DESCRIPTION OF AUTHORIZED SERVICES AND FACILITIES

Services

The services to be funded, in whole or in part, by the community facilities district (CFD) include all direct and incidental costs related to providing public services and maintenance of public infrastructure within the River Islands area including the area initially included in the CFD, as well as any future annexation area of the CFD and areas adjacent to the foregoing. More specifically, the services shall include, but not be limited to: (i) police protection services, (ii) maintenance of open space, including trails and habitat areas, with services to include, but not be limited to, irrigation and vegetation control; (iii) maintenance of roads and roadways, with services to include, but not be limited to, regularly scheduled street sweeping, repair of public streets, striping of streets and repair and repainting of sound walls and other appurtenances; (iv) storm protection services, including, but not limited to, the operation and maintenance of storm drainage systems, (v) landscaping in public areas and in the public right of way along public streets, including, but not limited to, irrigation, tree trimming and vegetation maintenance and control; and (vi) any other public services authorized to be funded under Section 53313 of the California Government Code that are not already funded by another community facilities district on the property within the CFD.

The CFD may fund any of the following related to the services described in the preceding paragraph: obtaining, constructing, furnishing, operating and maintaining equipment, apparatus or facilities related to providing the services and/or equipment, apparatus, facilities or fixtures in areas to be maintained, paying the salaries and benefits of personnel necessary or convenient to provide the services, payment of insurance costs and other related expenses and the provision of reserves for repairs and replacements and for the future provision of services. The services to be financed by the CFD are in addition to those provided in the territory of the CFD before the date of formation of the CFD and will not supplant services already available within that territory when the District is created.

Facilities

The CFD may also fund all or any portion of the costs of the following facilities to be located within or in the vicinity of the CFD:

Roadway and related improvements, including, but not limited to, construction of the roadways currently identified on Vesting Tentative Map No. 3694 as Stewart Road, Golden Valley Parkway, South River Islands Parkway, North River Islands Parkway, Broad Street, Commercial Street, J8 Street, B5 Street, B6 Street and C1 Street, as well as other backbone and arterial streets, including, but not limited to, grading, fill, pavement section, curb gutter and sidewalk, joint trench, water, sewer, reclaimed water, storm drainage, and other utility improvements necessary for, or incidental

to, road construction. Roadway improvements may also include landscaping, street lights and signage, and traffic signals and striping.

Bradshaw's Crossing Bridge improvements, including, but not limited to, design, construction, utility connections, mitigation payments, right-of-way acquisition, and other improvements required for, or incidental to, construction of the bridge.

Water infrastructure, including, but not limited to, tanks, pump stations, distribution lines, and other improvements necessary for, or incidental to, the delivery of potable or reclaimed water.

Sewer infrastructure, including, but not limited to, treatment facilities, sanitary sewer collection lines and force mains, effluent holding and storage, pump stations, lift stations, and other improvements necessary for, or incidental to, the delivery of sanitary sewer service.

Public landscaping and recreational features along rivers, lakes, within parks, and along and including pathways.

Offsite public infrastructure, including, but not limited to, the extension of sanitary sewer lines and payment of license fees (e.g., to Caltrans or UPRR) and any other incidental fees or exactions.

The facilities authorized to be funded by the CFD shall include the costs of design, engineering, surveys, reports, environmental mitigation, soils testing, permits, plan check, inspection fees, impact fees, insurance, construction management, and any other costs or appurtenances related to any of the foregoing.

Administrative Expenses

The administrative expenses to be funded by the CFD include the direct and indirect expenses incurred by the City of Lathrop (City) in carrying out its duties with respect to the CFD including, but not limited to, the levy and collection of the special taxes, the fees and expenses of attorneys, any fees of the County of San Joaquin related to the CFD or the collection of special taxes, an allocable share of the salaries of any City staff directly related thereto and a proportionate amount of the City's general administrative overhead related thereto, any amounts paid by the City from its general fund with respect to the CFD or the services authorized to be financed by the CFD, and expenses incurred by the City in undertaking action to foreclose on properties for which the payment of special taxes is delinquent, and all other costs and expenses of the City in any way related to the CFD.

Other

The incidental expenses that may be funded by the CFD include, in addition to the administrative expenses identified above, the payment or reimbursement to the CFD of all costs associated with the establishment and ongoing administration of the CFD.

EXHIBIT B

CITY OF LATHROP COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIVER ISLANDS PUBLIC SERVICES AND FACILITIES #2)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

Special Taxes applicable to each Assessor's Parcel in the City of Lathrop Community Facilities District No. 2023-1 (River Islands Public Services and Facilities #2) shall be levied and collected according to the tax liability determined by the City or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in the CFD, 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, including property subsequently annexed to the CFD 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:

“Accessory Unit” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311), Part 1, Division 2, of Title 5 of the Government Code of the State of California.

“Administrative Expenses” means any or all of the following: expenses of the City in carrying out its duties with respect to the CFD, including, but not limited to, the levy and collection of Special Taxes, the fees and expenses of its legal counsel, costs related to annexing property into the CFD, charges levied by the County in connection with the levy and collection of Special Taxes, costs related to property owner inquiries regarding the Special Taxes, costs associated with appeals or requests for interpretation associated with the Special Taxes and this RMA, costs associated with foreclosure and collection of delinquent Special Taxes and all other costs and expenses of the City and County in any way related to the establishment or administration of the CFD.

“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 on a County Assessor's Parcel map with an assigned County Assessor's Parcel number.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Facilities Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Authorized Services” means those services that are authorized to be funded by Services Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“CFD” means the City of Lathrop Community Facilities District No. 2023-1 (River Islands Public Services and Facilities #2).

“CFD Formation” means the date on which the Resolution of Formation to form the CFD was adopted by the City Council.

“City” means the City of Lathrop.

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

“County” means the County of San Joaquin.

“Developed Property” means, in any Fiscal Year, the following:

- for Single Family Detached Property, all Parcels of Taxable Property for which a Final Map was recorded on or prior to June 30 of the preceding Fiscal Year
- for Multi-Family Property and Single Family Attached Property, all Parcels of Taxable Property for which a building permit for new construction of a residential structure was issued on or prior to June 30 of the preceding Fiscal Year
- for Non-Residential Property, all Parcels of Taxable Property for which a building permit for new construction of a structure was issued on or prior to June 30 of the preceding Fiscal Year.

“Development Agreement” means the 2003 Amended and Restated Development Agreement dated February 4, 2003 and recorded on March 31, 2003 in the San Joaquin County Recorder’s Office as Document No. 2003-069319, as has been amended and as may be amended in the future.

“Escalation Factor” means, in any Fiscal Year, the lesser of (i) the increase from the prior Fiscal Year, if any, in the Local Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area for All Urban Consumers, or (ii) four percent (4%). The CPI used shall be as determined by the Bureau of Labor Statistics from April to April beginning with the period from April 2022 to April 2023.

“Facilities Special Tax” means a special tax levied in any Fiscal Year after the Trigger Event has taken place to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year after the Trigger Event to pay the costs of Authorized Facilities to be funded directly from Facilities Special Tax proceeds.

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

“Fiscal Review Process” means the River Islands Annual Fiscal Review Process, which is required pursuant to the Development Agreement, and which process is described in detail in Exhibit B of the Development Agreement.

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

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on a Parcel in any Fiscal Year after the Trigger Event, as determined in accordance with Section C below.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on a Parcel in any Fiscal Year, as determined in accordance with Section C below.

“Maximum Special Taxes” means, collectively, the Maximum Facilities Special Tax and the Maximum Services Special Tax that can be levied on a Parcel in any Fiscal Year.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit or use permit has been issued or is expected to be issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Non-Residential Property” means all Assessor’s Parcels of Taxable Property for which a building permit was or is expected to be issued for an office, commercial, retail, industrial or mixed-use building, as determined by the City.

“Non-Residential Square Footage” means the net leasable square footage used by or designated for non-residential uses within a building as reflected on the condominium plan, site plan, building permit for new construction, or other such document. If a structure on a Parcel of Non-Residential Property includes Units, such Units shall be categorized and taxed as Residential Property, and the square footage of such Units shall not be counted as Non-Residential Square Footage for purposes of determining the Maximum Special Taxes pursuant to Section C below.

“Proportionately” means, for the Services Special Tax, that the ratio of the actual Services Special Tax levied in any Fiscal Year to the Maximum Services Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For the Facilities Special Tax, “Proportionately” means that the ratio of the actual Facilities Special Tax levied in any Fiscal Year to the Maximum Facilities Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property.

“Public Property” means any property within the boundaries of the CFD that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a building includes both Units and Non-Residential Square Footage, the Units within the building shall be categorized as Residential Property for purposes of this RMA.

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

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

“Services Special Tax Requirement” means the amount of revenue needed in any Fiscal Year to pay for: (i) Authorized Services, (ii) Administrative Expenses, and (iii) amounts needed to cure any delinquencies in the payment of Services Special Taxes which have occurred or (based on delinquency rates in prior years) may be expected to occur in the Fiscal Year in which the tax will be collected. In any Fiscal Year, the Services Special Tax Requirement shall be reduced by surplus amounts available (as determined by the City) from the levy of the Services Special Tax in prior Fiscal Years, including revenues from the collection of delinquent Services Special Taxes and associated penalties and interest.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit was or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit was or is expected to be issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share an Assessor’s Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 4125.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit was or is expected to be issued for construction of a Unit that does not share a common wall with another Unit. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

“Special Taxes” means, collectively, the Facilities Special Tax and the Services Special Tax.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of the CFD which are not exempt from the Special Taxes pursuant to law or Section F below.

“Tax Zone” means a mutually exclusive geographic area within which Special Taxes may be levied pursuant to this RMA. *All of the property within the CFD at the time of CFD Formation is within Tax Zone 1.* Additional Tax Zones may be created when property is annexed to the CFD, and separate Maximum Special Taxes shall be identified for property within the new Tax Zone at the time of such annexation. The Assessor’s Parcels included within a new Tax Zone established when such Parcels are annexed to the CFD shall be identified by Assessor’s Parcel number in the Unanimous Approval Form that is signed by the owner(s) of the Parcels at the time of annexation.

“Unanimous Approval Form” means that form executed by the record owner of fee title to a Parcel or Parcels annexed into the CFD that constitutes the property owner’s approval and unanimous vote in favor of annexing into the CFD and the levy of Special Taxes against his/her Parcel or Parcels pursuant to this RMA.

“Trigger Event” will be deemed to have occurred in any Fiscal Year if, on or before June 30 of the prior Fiscal Year, the City has made a finding that, for the third year in a row, the Fiscal Review Process has demonstrated that fiscal surpluses will be generated to the City’s general fund from development within the River Islands Master Plan area, and, as part of the Fiscal Review Process in each of the prior three years, the Services Special Tax revenue factored into the fiscal analysis was based on the Services Special Tax being levied at only 47.43% of the Maximum Services Special Tax that could have been levied in each of those three years. Once the Trigger Event has occurred, the reduced Services Special Taxes and the Facilities Special Taxes determined for each Tax Zone pursuant to Section C shall be the applicable Maximum Special Taxes in all future Fiscal Years regardless of the results of future Fiscal Review Processes.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure.

B. DATA FOR ADMINISTRATION OF SPECIAL TAXES

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Parcels of Developed Property within the CFD. The Administrator shall also determine: (i) within which Tax Zone each Parcel is located; (ii) which Parcels of Developed Property are Residential Property and Non-Residential Property; (iii) the Non-Residential Square Footage of buildings on each Parcel of Non-Residential Property; (iv) for Single Family Detached Property, the square footage of each SFD Lot, (v) by reference to the condominium plan, site plan, or other document, the number of Units on each Parcel of Single Family Attached Property and Multi-Family Property; (vi) whether the Trigger Event has occurred; and (vii) the Services Special Tax Requirement and, if the Trigger Event has occurred, the Facilities Special Tax Requirement for the Fiscal Year. To determine the square footage of each Parcel of Single Family Detached Property, the Administrator shall reference Assessor’s Parcel Maps or, if the square footage is not yet designated on such maps, the small lot subdivision map recorded to create the individual lots.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in the CFD 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) a building permit was issued on or prior to June 30 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Taxes for Units and/or Non-Residential Square Footage within the subdivided area and levy such Special Taxes on the master Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAXES

1. Services Special Tax, Tax Zone 1

Table 1 below identifies the Maximum Services Special Tax for Developed Property within Tax Zone 1, both before and after the Trigger Event. A different Maximum Services Special Tax may be identified for property that annexes into the CFD and is part of a separate Tax Zone.

**TABLE 1
MAXIMUM SERVICES SPECIAL TAX
TAX ZONE 1**

Type of Property	Lot Size	Maximum Services Special Tax in Tax Zone 1 Prior to the Trigger Event (Fiscal Year 2022-23)*	Maximum Services Special Tax in Tax Zone 1 After the Trigger Event (Fiscal Year 2022-23)*
<u>Residential Property:</u> Single Family Detached Property Single Family Attached Property Multi-Family Property	Greater than 7,000 SqFt 5,801 to 7,000 SqFt 4,801 to 5,800 SqFt 4,000 to 4,800 SqFt Less than 4,000 SqFt Not Applicable Not Applicable	\$432.29 per SFD Lot \$349.02 per SFD Lot \$320.21 per SFD Lot \$272.18 per SFD Lot \$252.96 per SFD Lot \$ 0.00 per Unit \$ 0.00 per Unit	\$205.02 per SFD Lot \$165.53 per SFD Lot \$151.87 per SFD Lot \$129.09 per SFD Lot \$119.97 per SFD Lot \$ 0.00 per Unit \$ 0.00 per Unit
Non-Residential Property	Not Applicable	\$0.00 per Non-Residential Square Foot	\$0.00 per Non-Residential Square Foot

* On July 1, 2023 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by the Escalation Factor.

2. *Facilities Special Tax, Tax Zone 1*

Table 2 below identifies the Maximum Facilities Special Tax for Developed Property within Tax Zone 1 both before and after the Trigger Event; a different Maximum Facilities Special Tax may be identified for property that annexes into the CFD and is part of a separate Tax Zone.

**TABLE 2
MAXIMUM FACILITIES SPECIAL TAX
TAX ZONE 1**

Type of Property	Lot Size	Maximum Facilities Special Tax in Tax Zone 1 Prior to the Trigger Event (Fiscal Year 2022-23)*	Maximum Facilities Special Tax in Tax Zone 1 After the Trigger Event (Fiscal Year 2022-23)*
<u>Residential Property:</u>			
Single Family Detached Property	Greater than 7,000 SqFt	\$ 0.00 per SFD Lot	\$227.27 per SFD Lot
Single Family Detached Property	5,801 to 7,000 SqFt	\$ 0.00 per SFD Lot	\$183.49 1per SFD Lot
Single Family Detached Property	4,801 to 5,800 SqFt	\$ 0.00 per SFD Lot	\$168.34 per SFD Lot
Single Family Detached Property	4,000 to 4,800 SqFt	\$ 0.00 per SFD Lot	\$143.09 per SFD Lot
Single Family Detached Property	Less than 4,000 SqFt	\$ 0.00 per SFD Lot	\$132.99 per SFD Lot
Single Family Attached Property	Not Applicable	\$ 0.00 per Unit	\$ 0.00 per Unit
Multi-Family Property	Not Applicable	\$ 0.00 per Unit	\$ 0.00 per Unit
Non-Residential Property	Not Applicable	\$0.00 per Non-Residential Square Foot	\$0.00 per Non-Residential Square Foot

* On July 1, 2023 and on each July 1 thereafter until the first Fiscal Year after the Trigger Event, all figures shown in Table 2 above shall be increased by the Escalation Factor. On July 1 of the first Fiscal Year after the Trigger Event, and on each July 1 thereafter, the Maximum Facilities Special Taxes shall increase by two percent (2%) of the amount in effect in the prior Fiscal Year.

3. *Maximum Special Taxes for Mixed-Use Buildings*

If, in any Fiscal Year, the Administrator determines that a Parcel of Developed Property is built or proposed to be built with both Units and Non-Residential Square Footage, the Maximum Special Taxes for the Parcel shall be the sum of (i) the aggregate Maximum Special Taxes for all Units on the Parcel, and (ii) the Maximum Special Taxes determined for all of the Non-Residential Square Footage on the Parcel.

4. *Reduction of the Maximum Special Taxes*

If, in any Fiscal Year, the City determines pursuant to the Fiscal Review Process that the Maximum Special Taxes within one or more Tax Zones should be reduced, the Maximum Special Taxes within the Tax Zones may be reduced without a vote of the qualified CFD electors. An Amended Notice of Special Tax Lien reflecting the reduced Maximum Special Taxes shall be recorded against the Parcels within such Tax Zones.

D. METHOD OF LEVY OF THE SPECIAL TAXES

1. Services Special Tax

Each Fiscal Year, the Administrator shall determine the Services Special Tax Requirement for the Fiscal Year, and the Services Special Tax shall be levied on each Parcel of Developed Property within the CFD in the amount of either (i) the Maximum Services Special Tax, or (ii) the Proportionately determined percentage of the Maximum Services Special Tax required to generate the Services Special Tax Requirement, whichever is less.

2. Facilities Special Tax

Each Fiscal Year after the Trigger Event, the Administrator shall determine the Facilities Special Tax Requirement for the Fiscal Year, and the Facilities Special Tax shall be levied on each Parcel of Developed Property within the CFD in the amount of either (i) the Maximum Facilities Special Tax, or (ii) the Proportionately determined percentage of the Maximum Facilities Special Tax required to generate the Facilities Special Tax Requirement, whichever is less.

E. MANNER OF COLLECTION OF SPECIAL TAXES

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied for thirty (30) Fiscal Years, beginning the first Fiscal Year after the Trigger Event has taken place. Under no circumstances may the Facilities Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. The Services Special Tax may be levied and collected in perpetuity.

F. EXEMPTIONS

No Special Taxes shall be levied on Public Property or any other Parcels in the CFD that are not Residential Property or Non-Residential Property, as defined herein.

G. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness or ambiguity as it relates to the Special Tax rates, the method of apportionment, the classification of properties or any definition applicable to the CFD, by resolution or ordinance. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land.

PROPOSED BOUNDARIES AND FUTURE ANNEXATION AREA OF

CITY OF LATHROP COMMUNITY FACILITIES DISTRICT NO. 2023-1 (RIVER ISLANDS PUBLIC SERVICES AND FACILITIES #2)

SAN JOAQUIN COUNTY, CALIFORNIA

CITY CLERK CERTIFICATES

1. I, FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF LATHROP THIS _____ DAY OF _____, 2023.

CITY CLERK

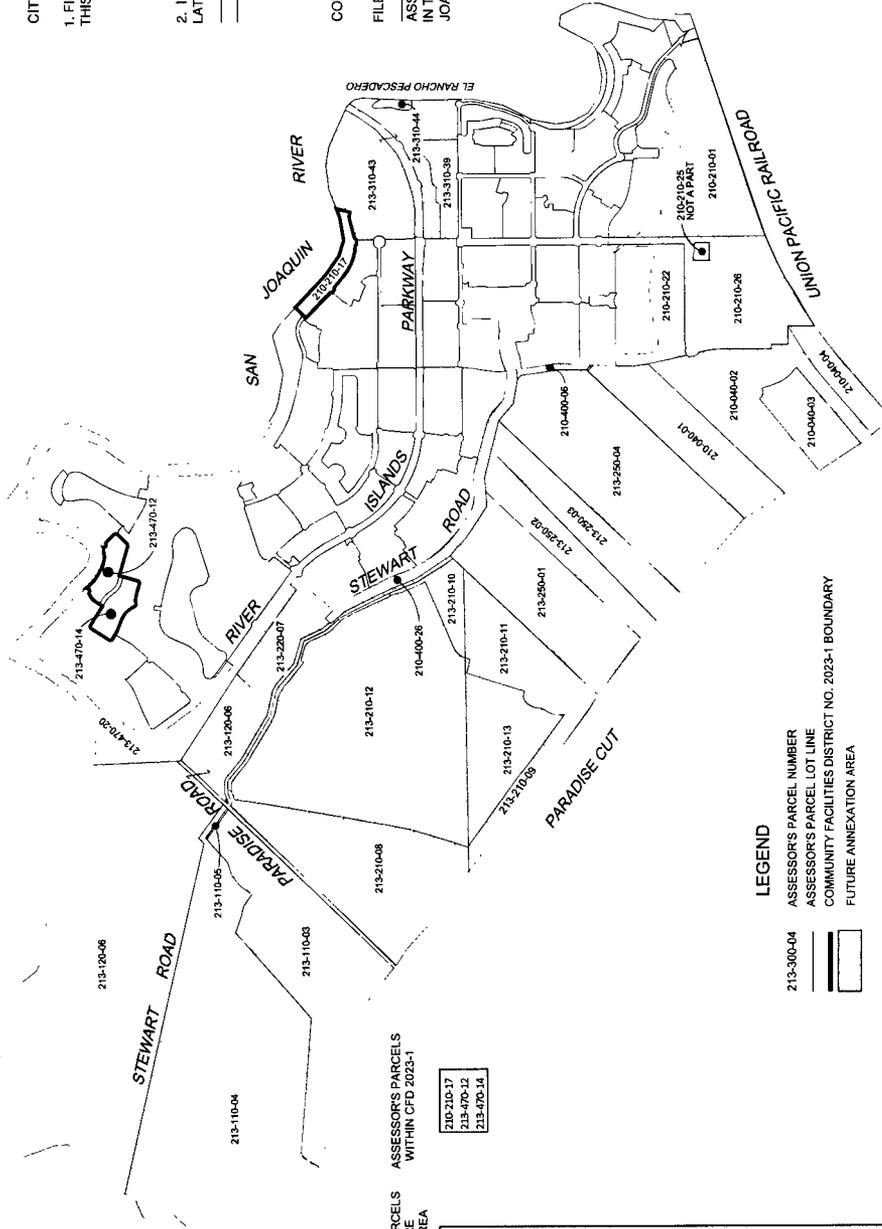
2. I HEREBY CERTIFY THAT THIS MAP WAS APPROVED BY THE CITY OF LATHROP CITY COUNCIL AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2023, BY ITS RESOLUTION NO. _____

CITY CLERK

COUNTY RECORDER'S CERTIFICATE

FILED THIS _____ DAY OF _____, 2023, AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

COUNTY RECORDER
COUNTY OF SAN JOAQUIN,
STATE OF CALIFORNIA



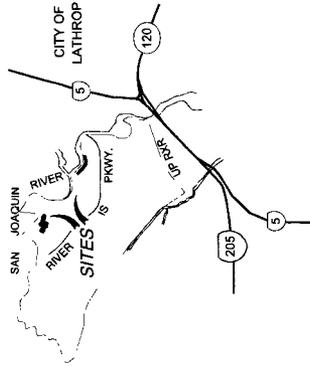
LEGEND

- 213-300-04 ASSESSOR'S PARCEL NUMBER
- ASSESSOR'S PARCEL LOT LINE
- COMMUNITY FACILITIES DISTRICT NO. 2023-1 BOUNDARY
- FUTURE ANNEXATION AREA

ASSESSOR'S PARCELS WITHIN FUTURE ANNEXATION AREA

- 210-040-01
- 210-040-02
- 210-040-03
- 210-040-04
- 210-210-01
- 210-210-22
- 210-210-26
- 210-400-06
- 210-400-26
- 213-110-03
- 213-110-04
- 213-110-05
- 213-110-06
- 213-110-08
- 213-210-08
- 213-210-10
- 213-210-11
- 213-210-12
- 213-210-13
- 213-210-07
- 213-250-01
- 213-250-02
- 213-250-03
- 213-250-04
- 213-310-39
- 213-310-43
- 213-310-44
- 213-470-20

- 210-310-17
- 213-470-12
- 213-470-14



VICINITY MAP
N.T.S.

