

MELLO ROOS DISTRICTS
CAPISTRANO UNIFIED SCHOOL DISTRICT
STATEMENT OF LOCAL GOALS AND POLICIES
CONCERNING THE USE OF THE
MELLO-ROOS COMMUNITY FACILITIES ACT
OF 1982, AS AMENDED

Pursuant to Section 53312.7 of the California Government Code, the Board of Trustees of the Capistrano Unified School District (hereafter the “Board”) hereby states its goals and policies concerning the use of Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (hereafter the “Act”) in providing adequate school housing, facilities and equipment for future students of the Capistrano Unified School District (“CUSD”). The following goals and policies shall apply to all community facilities districts (each a “CFD”) hereafter formed by CUSD. Any policy or goal stated herein may be supplemented or amended or deviated from upon a determination by the Board that such supplement, amendment or deviation is necessary or desirable, and any policy or goal stated herein shall be deemed amended or supplemented in the event, and as of the date, if ever, that such amendment or supplement is required to ensure compliance with the Act or any other laws of the State of California or federal laws of the United States of America.

I. Priority that Various Kinds of Public Facilities Shall have for Financing Through the Use of the Act.

It is the policy of CUSD to give first priority to the provision of school facilities through the use of the Act. It is secondarily the policy of CUSD to assist in the provision of other public facilities when to do so will, in the sole discretion of the Board acting as the legislative body of the affected CFD, result in a savings to taxpayers residing within or owning property within the CUSD boundaries.

II. Credit Quality to be Required of Bond Issues, Including Criteria to be Used in Evaluating the Credit Quality.

It is the policy of CUSD to refrain from the issuance of any CFD bonds unless at the time of issuance of any CFD bonds, (i) special tax revenues from that CFD are reasonably expected to provide at least 110% debt service coverage for each year of the term of such bonds; and (ii) such CFD establishes, and covenants to cause special taxes to be levied in an amount sufficient to maintain, for the term of such bonds (provided, however, that depletion may occur to pay debt service in the last 2 years of such term), a reserve fund securing such bonds in an amount equaling the lowest of (1) ten percent (10%) of the original proceeds of such bonds, or (2) the largest amount, for any bond year during the term of such bonds, of principal and interest payable on such bonds, or (3) one hundred twenty-five percent (125%) of the average amount payable, for any bond year, of principal and interest on the outstanding bonds of such bond issue. Further, it is the policy of CUSD to comply with all provisions of the Act including, but not limited to, Section 53345.8, as such Section may be amended from time to time. If the criteria set forth above are met, such bond issues need not be rated by nationally-recognized rating agencies.

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III. Steps to be Taken to Ensure that Prospective Property Purchasers are Fully Informed About Their Taxpaying Obligations.

It is the goal of CUSD that all taxpayers residing within, or owning property within, the boundaries of a Mello-Roos district heretofore or hereafter established by CUSD will receive the form of notice required by Section 53341.5 of the Act, at the time set forth therein, as such Section may be amended from time to time. In order to comply with this goal, it is the policy of CUSD to provide Section 53340.2 notice of special tax to any individual requesting such notice or any owner of property subject to a special tax levied by CUSD within five working days of receiving a request for such notice.

IV. Criteria for Evaluating the Equity of Tax Allocation Formulas, and Concerning Desirable and Maximum Amounts of Special Tax to be Levied Against Any Parcel.

It is the goal of CUSD that each taxpayer residing within, or owning property within, the boundaries of any CFD hereafter established by CUSD pay special taxes which reflect, as nearly as practicable, such taxpayer's fair and reasonable share of their projected benefit from, and/or burden upon, the facilities to be financed by such CFD. It is the goal of CUSD that maximum Mello-Roos special taxes on residential owner-occupied property, when taken together with ad valorem taxes, any other special taxes levied pursuant to the Act and assessments applicable to such property, do not exceed in any year two percent (2%) of the greater of the assessed value or appraised value of such property. Nevertheless, special taxes on residential owner-occupied property, when taken together with ad valorem taxes, any other special taxes levied pursuant to the Act and assessments applicable to such property, may exceed in any year two percent (2%) of the greater of the assessed value or appraised value of such property if CUSD determines at the time of formation of a CFD that over the term of the bonds, the special taxes, ad valorem taxes and assessments are expected to average two percent (2%) or less per year of the greater of the assessed value or appraised value of such property. It is further the policy of CUSD to comply with the provisions of Section 53321 of the Act with respect to the escalation of maximum taxes.

V. Definitions, Standards, and Assumptions to be Used in Appraisals Required by Section 53345.8.

General

The appraiser undertaking the appraisal of real property in connection with the issuance of bonds of a CFD formed by CUSD shall be designated an MAI, Member of the Appraisal Institute, at the time of appraisal. He/she shall be an independent appraiser contractor and represent himself/herself to be well qualified to perform the appraisal services required. Such appraiser shall certify that he/she is thoroughly familiar with the recognized and acceptable appraisal methods, techniques and Standards of Professional Practice and Code of Ethics as set forth by the Appraisal Institute and Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.

In the preparation of the appraisal report the appraiser shall follow professional appraisal practices utilizing such methods and approaches to value as are appropriate for the specific property being appraised. Should certain approaches to value, or requirements covered in these specifications, not be applicable to the assignment at hand, the appraiser can fulfill the obligation herein by identifying that approach or requirement together with a brief explanation of its omission (i.e., an appraisal involving land only).

Generalizations and unsupported assumptions by the appraiser relating to the existence of infrastructure, utilities, improvements, grading, access, soil conditions, topography, etc., and/or an estimated Highest and Best Use which differs from the present or permitted use and zoning are unsatisfactory in reports to be submitted relating to the issuance of CFD bonds. These items must be confirmed or justified by patterns of growth and demand trends, as indicated in the area, city and neighborhood analyses. As a minimum, the appraisal report must comply with the appraisal requirements set forth below.

The appraiser should use precise definitions of terms, as some readers of appraisals are from outside the real estate profession. Examples of definitions include bulk acreage sales, bulk discounts, aggregate retail value, quick sale valuation, etc.

Appraisal Criteria.

A. The definitions to be used in appraisals required by Section 53345.8 of the Act shall include, but shall not be limited to, the following:

“Market Value” means the most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. Fundamental assumptions and conditions presumed in this definition are:

1. Buyer and seller are motivated by self-interest.
2. Buyer and seller are will-informed and are acting prudently.
3. The property is exposed for a reasonable time on the open market.
4. Payment is made in cash, its equivalent, or in specified financing terms.
5. Specified financing, if any, may be the financing actually in place or on terms generally available for the property type in its locale on the effective appraisal date.
6. The effect, if any, on the amount of market value of atypical financing, services, or fees shall be clearly and precisely revealed in the appraisal report.

“Scope of the Appraisal” means it is the intent of the appraisal that all appropriate data considered pertinent in the valuation of the subject property be collected, confirmed and reported in conformity with the Uniform Standards of Professional Appraisal Practice.

“As Is” means the state of development of the subject property and the level of entitlements obtained with respect to the subject property as of the date of value of the appraisal.

“Fee Simple Interest” means absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation.

B. The standards to be used in Appraisals required by Section 53345.8 of the Act are as follows:

1. the appraisal shall be prepared by an appraiser licensed by the State of California at the time of appraisal; and
2. the appraisal shall be prepared for the purposes of publication by any of CUSD, an underwriter or an authorized purchaser of bonds in connection with the contemplated CFD financing; and
3. the appraisal shall be consistent with a market absorption study, prepared by an experienced market absorption analyst, with respect to the development of the property which is the subject of the appraisal; and
4. the appraiser shall be the agent of CUSD rather than the agent of any developer in the subject CFD.

C. The assumptions to be used in the Appraisals required by Section 53345.8 of the Act shall include, but shall not be limited to, the following:

1. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.

D. The contents of the appraisal report shall include, but shall not be limited to, the following:

1. Statement of Limiting Conditions and Assumptions.

2. Certification of Appraiser and Permission to Reproduce and Use Report as Required for Bond Issuance.
3. Purpose of Appraisal - This shall include the reason for the appraisal, a definition of all values required, and property rights appraised.
4. Primary Assumption - The appraiser will process the valuation of subject properties assuming only improvements which are completed as of the date of value or for which current financing has been irrevocably obtained, e.g., proceeds of current bond issue.
5. Legal Description - This description shall be complete so as to properly identify the property appraised.
6. Property Data - All information pertinent to the current state of the property shall be considered.
7. Zoning - Describe the zoning for the subject and comparable properties and if rezoning is imminent, discuss further.
8. Analysis of Highest and Best Use - The report shall state and support the highest and best use to which a property can be put and recognize that land is appraised as though vacant and available for development to its highest and best use, and the improvements are based on their actual contribution to the site. If the highest and best use is based on a "Land Use" study provided by the developer, the appraiser's investigation and study supporting the conclusion that said land use is reasonable must be included in the report.
9. Proposed Construction - The report shall describe the construction in the manner proposed by the developer, based on the appraiser's study of construction drawings and/or interviews with engineers and architects responsible for project design which support such construction.
10. Sales Comparison Approach to Value -
 - a. Land - Direct Comparison - The appraiser's opinion of the value of the land shall be supported by confirmed sale prices of comparable, or nearly comparable, lands having like optimum uses.
 - b. Subdivision or Developmental Approach - All variables contained within this approach shall be appropriately supported.
 - (1) Costs of Development - Land: Direct Costs

All land improvement costs shall either be estimated by developer's independent civil engineer or, if based upon "in-house" estimates, these costs shall be presented in the report in sufficient detail so that they may be reviewed by a qualified civil engineer.

Estimates made by appraiser or "rules of thumb" are not acceptable.

- (2) Costs of Improvement - Structures - Appraisers shall check for reasonableness the developer's costs of constructing structures for work in progress and cite sources of cost data.
 - (3) Discount Rates - Appraisals should have an adequate discussion and support/reasoning for discount rate derivation.
11. Value Estimate; Cost Approach, if Applicable - This section shall be in the form of computation data, arranged in sequence beginning with reproduction or replacement cost, and shall state the name of the source of all cost estimates (i.e., engineering firm, contractor, cost estimating service, etc.).

The dollar amounts of physical depreciation and functional and economic obsolescence, or the omission of same, shall be explained in narrative form.

12. Income Approach to Value - This approach should include a discussion on the leasing (rental) status of subject property (i.e., percent occupied, rental rates, concessions, terms, rental adjustments, etc.).
13. Mass Appraisal Techniques - It may be appropriate for projects that have built-out and occupied product to use mass appraisal techniques.
14. Interpretation and Correlation of Estimates - The appraiser shall interpret the foregoing estimates and shall state his/her reasons why one or more of the conclusions reached in Items 10 through 13 are indicative of the market value of the property.
15. Value Allocations --- Appraiser should report values by ownerships or assessor parcel numbers. In CFDs where production units have been built and sold/occupied, these separate ownerships may be grouped together by logical categories (e.g., by tract, etc.).

These value allocations are necessary for preparation of the Official Statement for bond sale offerings.

16. Exhibits --- The appraisal report must contain sufficient exhibits to assist the reader in understanding the appraisal.

VI. Priority Access Policy.

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It is the goal of CUSD that priority attendance access to a CFD-financed school is given to students, to the extent provided by law, residing in such CFD, where the residents of such CFD have paid special taxes which have, in whole or in part, financed the construction of such CFD facilities. The degree of priority shall reflect the proportion of each school's financing provided through the CFD. (Government Code 53312.7).

Because annual enrollment growth cannot be accurately predicted, it may not be possible to guarantee all CFD residents space in CFD-funded schools. Consequently, the goal of providing a direct benefit to CFD taxpayers may come into conflict with other concerns which must be balanced by the Board. The Superintendent shall develop regulations to determine the manner in which the CFD priority shall be determined for District schools. Those regulations shall incorporate this policy, other considerations allowed by law, and other applicable board policies such as the District's attendance boundary and residency policies, federal, state, or court mandates; transportation needs, safe pedestrian routes; grade level for which facilities were designed; and ensuring students' continuity of schooling within any single school year. For reasons which may include, but shall not be limited to, those set forth above, the Board may deny access to CFD-financed schools to any student.

Nevertheless, unless the Board determines that overriding reasons exist for denying such access, it is the policy of CUSD that any student living within a CFD shall be allowed the option of attending a school constructed with Mello-Roos special taxes of that CFD.

The proceeds of any bonds, notes or other securities issued pursuant to the Mello-Roos Community Facilities Act shall be deposited or invested in accordance with Government Code 53356.03.