

USE OF SPECIAL TAX FUNDS AGREEMENT

Relating to:

COMMUNITY FACILITIES DISTRICT NO. 2023-1 (EAST RIDGE)

THIS USE OF SPECIAL TAX FUNDS AGREEMENT ("**Agreement**") is made and entered into on this _____ day of _____, 2023 ("**Effective Date**") between the **County of El Dorado** (hereinafter "**County**") and **East Ridge Holdings, LLC**, a Delaware limited liability company (hereinafter "**East Ridge**"), **El Dorado Land Ventures, LLC**, a Delaware limited liability company (hereinafter "**Land Ventures**"), and **Valley View Realty Investments, LLC**, a Delaware limited liability company (hereinafter "**Valley View**"; East Ridge, Land Ventures, and Valley View are hereinafter sometimes collectively referred to as "**Landowners**").

RECITALS

A. The Landowners are the successor party to a development agreement dated _____ (the "Original Development Agreement") respecting development of a portion of land in the County locally known as East Ridge (commonly referred to and referred to herein as the "**East Ridge Project**") within the Valley View Specific Plan (the "**VVSP**"), a master planned community that consists of approximately 2,037 acres and includes approximately 2,840 dwelling units, approved by the County on December 8, 1998.

B. Pursuant to the Original Development Agreement, the Landowners are obligated to construct and install or to cause the construction and installation of certain public improvements, to pay certain development fees and to advance funds for certain public improvements, including payment of certain fees to prescribed public entities other than the County (collectively, the "**East Ridge Project Public Improvements and Fees**"), and the County agreed to cooperate with the Landowners in financing a portion of the cost and expense of the East Ridge Project Public Improvements and Fees by establishing a community facilities district pursuant to the Mello-Roos Community Facilities Act of 1982 (the "**Act**").

C. Pursuant to the Original Development Agreement and the Act and at the request of the Landowners, on October 20, 2015, the County Board of Supervisors formed Community Facilities District No. 2015-1 (East Ridge) (the "**2015 CFD**") and authorized bonding authority for the 2015 CFD for the purpose of financing in part certain East Ridge Project Public Improvements and Fees.

D. The East Ridge Project has an approved tentative map (TM14-1521) ("**Small Lot Tentative Map**") to create approximately 759 lots consisting of 701 residential lots, forty-one landscape lots, twelve roadway lots, two recreational park lots, one sewer lift station lot, one water tank lot, and one pump station lot, which Small Lot

Tentative Map was originally approved on June 11, 2015 and, on July 13, 2017, the Planning Commission approved six one-year discretionary time extensions, resulting in a current expiration date of June 11, 2024.

E. On December 15, 2015, the County approved a final map for the East Ridge Village Large Lot Tentative Subdivision Map, thereby creating 65 lots for financing and phasing purposes, however due to marketing and development challenges associated with the construction of residential units, major infrastructure improvements, and delays associated with the Covid-19 pandemic, Landowners do not anticipate seeking a Final Subdivision Map before the Small Lot Tentative Map expires.

F. Due to the delays encountered by the Landowners, construction of the East Ridge Project has not proceeded as contemplated at the time of formation of the 2015 CFD and bonds have not been issued for the 2015 CFD, nor have any of the special taxes authorized to be levied for the 2015 CFD actually been levied.

G. The Landowners have requested that the County enter into a new development agreement (the “**2023 Development Agreement**”) which will provide an extension of the Small Lot Tentative Map and allow for completion of the East Ridge Project and the VVSP consistent with the approved master planned community.

H. The 2023 Development Agreement at Section 3.2.1 provides as follows:

“County shall be entitled to receive PAYGO 2023 CFD special tax revenues beginning in the first year the special tax is levied in the 2023 CFD as further set forth in that certain Use of Special Tax Funds Agreement being entered into concurrently with this Agreement.”

I. The 2023 Development Agreement at Section 3.6 provides in part as follows:

“County, through its officers, agents, and employees, shall exert good faith efforts and cooperate with Landowners and support the Project as necessary: ... (b) formation and implementation of financing districts, including but not limited to the 2023 CFD...”

J. In connection with the 2023 Development Agreement, Landowners have requested that the 2015 CFD be abandoned and that the County now form the new community facilities district contemplated by the 2023 Development Agreement, to be known as Community Facilities District No. 2023-1 (East Ridge) (the “**2023 CFD**”) on updated terms, which will be authorized to provide funding for infrastructure improvements and provide the “**PAYGO**” referenced in the 2023 Development Agreement.

K. In consideration for County entering into the 2023 Development Agreement and forming the 2023 CFD, and to provide county-wide benefits, concurrent with execution of the 2023 Development Agreement, Landowners and County desire to enter into this Agreement pursuant to which County will be entitled to receive 2023 CFD special

tax revenues in excess of debt service on bonds to be issued for the 2023 CFD, as provided herein.

AGREEMENT

1. Incorporation of Recitals. The foregoing Recitals are true and correct and are hereby incorporated into and form a part of this Agreement.

2. County Formation of 2023 CFD. Subject to the execution of the 2023 Development Agreement and this Agreement, the County agrees to submit to its Board of Supervisors for approval the resolutions and ordinance required to abandon the 2015 CFD and to form the 2023 CFD, which shall encompass land within or coterminous with the boundary of the East Ridge Project, and to authorize the levy special taxes on land within the 2023 CFD (the “**CFD Special Taxes**”) and the issuance of bonds secured by and payable from the 2023 CFD Special Taxes to finance a portion of the public infrastructure and development impact fees required for development of the East Ridge Project. The CFD shall be formed in 2023 and the issuance of CFD 2023 Bonds (the “**CFD Bonds**”) shall follow the formation at such time as the County and the Landowners deem appropriate.

3. Facilities Authorized to be Funded by the CFD. The 2023 CFD shall be formed with the authorization to finance County roadways subject to improvement through the El Dorado County Road Fund.

4. Subject to the execution of the 2023 Development Agreement and this Agreement, the County agrees to submit to its Board of Supervisors for approval the resolutions and ordinance required to abandon the 2015 CFD and to form the 2023 CFD, which shall encompass land within or coterminous with the boundary of the East Ridge Project, and to authorize the levy special taxes on land within the 2023 CFD (the “**CFD Special Taxes**”) and the issuance of bonds secured by and payable from the 2023 CFD Special Taxes to finance a portion of the public infrastructure and development impact fees required for development of the East Ridge Project. The CFD shall be formed in 2023 and the issuance of CFD 2023 Bonds (the “**CFD Bonds**”) shall follow the formation at such time as the County and the Landowners deem appropriate.

5. Future Acquisition Agreement. Prior to issuance of the first series of CFD Bonds, Landowners or their affiliates or assigns and the County shall enter into an Acquisition and Disclosure Agreement (the “**Acquisition Agreement**”) on mutually agreeable terms, pursuant to which the County agrees to purchase Facilities from the Landowners, and/or to either pay or reimburse the Landowners for the advance funding of development impact fees, in each case to the extent that revenues from the special taxes levied by the County for the Special Tax Revenues and/or proceeds of sale of the CFD Bonds are available to finance the Facilities, all in accordance with County policies and the “County of El Dorado, Department of Transportation, Guidelines for Community Facilities District (CFD) Acquisition Projects.”

6. Initial Levy of CFD Special Taxes. The levy of CFD Special Taxes shall not commence prior to the first fiscal year in which CFD Special Taxes are required to be levied by the County for the 2023 CFD in order to generate special tax revenues (the “**Special Tax Revenues**”) needed to pay debt service on the CFD Bonds.

7. Calculation of Special Tax Levy. Upon commencement of the levy of CFD Special Taxes the amount levied shall at a minimum include an amount equal to the Maximum Annual Special Tax authorized for Developed Property, as those terms are defined in the Rate and Method of Apportionment applicable to the 2023 CFD.

8. Uses of Special Tax Revenues. Funds generated annually by the CFD Special Taxes shall first be used for payment, or allowances for payment, of all CFD Bond debt service, reserve fund replenishments and administrative, incidental and issuance costs of the County with respect to the 2023 CFD. Special Tax Revenue generated from Developed Property levied at up the maximum authorized Special Tax rate which is in excess of such amounts shall comprise the PAYGO described herein.

9. PAYGO Funding to Benefit County. PAYGO amounts generated from the Special Tax Revenue shall be released to the County annually and used by the County to pay for capital facilities authorized to be funded by the 2023 CFD.

10. Effect on Other Agreements. Nothing in this Agreement shall be construed as affecting the Landowners' or the County's duty to perform their respective obligations under the 2023 Development Agreement, any development or other agreement, land use regulations, ordinance or subdivision requirements related to the East Ridge Project, which obligations are and shall remain independent of the Landowners' and the County's rights and obligations under this Agreement.

11. Cooperation. The County and the Landowners agree to cooperate with respect to the completion of the financing contemplated by formation of the 2023 CFD through the levy of the CFD Special Taxes and issuance of CFD Bonds.

12. Entire Agreement. The terms and conditions of this Agreement constitute the entire agreement among County and the Landowners with respect to the matters addressed herein, and may not be altered, amended or modified unless executed in writing and signed by County and Landowners or superseded by the terms of the Acquisition Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have duly signed this Agreement as of the date first written above.

EL DORADO COUNTY

IN WITNESS WHEREOF, the Parties

Wendy Thomas
Chair, Board of Supervisors

ATTEST: Kim Dawson
Clerk of the Board of Supervisors

By: _____

APPROVED AS TO FORM:
David A. Livingston
County Counsel

By: _____
Jefferson Billingsley
Deputy County Counsel

East Ridge Holdings, LLC,
a Delaware limited liability company

By: HBT East Ridge, LLC,
a Delaware limited liability company
Its: Managing Member

By: _____,
William B. Bunce
Its: Manager

El Dorado Land Ventures, LLC,
a Delaware limited liability company

By: HBT East Ridge, LLC, a Delaware limited
liability company
Its: Managing Member

By: _____,
William B. Bunce
Its: Manager

Valley View Realty Investments, LLC,
a Delaware limited liability company

By: HBT East Ridge, LLC,
a Delaware limited liability company
Its: Managing Member

By: _____,
William B. Bunce
Its: Manager