

EXHIBIT C-1

RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2010-1 (SERVICES) OF THE CITY OF DESERT HOT SPRINGS

A Special Tax (the "Special Tax") shall be levied on and collected from each Assessor's Parcel (defined below) in Community Facilities District No. 2010-1 (Services), in each Fiscal Year, (defined below), commencing in the Fiscal Year beginning July 1, 2010, in an amount determined by the City Council of the City of Desert Hot Springs, acting ex officio as the legislative body of CFD No. 2010-1, by applying the rates and method of apportionment set forth below. All of the real property in CFD No. 2010-1, unless exempted by law or by the provisions herein, shall be taxed for the purposes, to the extent and in the manner provided herein.

A. DEFINITIONS

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on any Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the area is not shown on the applicable Final Map, the land area shall be calculated by the Administrator.

"Administrative Expenses" means any ordinary and necessary expenses allocable to the Special Tax Requirement which are incurred by the City on behalf of CFD No. 2010-1 related to the determination of the amount of the levy of Special Tax, the collection of Special Tax including the expenses of collecting delinquencies, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of CFD No. 2010-1, and costs otherwise incurred in order to carry out the authorized purposes relating to CFD No. 2010-1.

"Administrator" means the City of Desert Hot Springs City Manager of the City, or his or her designee.

"Assessor's Parcel" means a lot or parcel of land that is identifiable by an Assessor's Parcel Number by the County Assessor of the County of Riverside.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel Number.

"Assessor's Parcel Number" means that identification number assigned to a parcel by the County Assessor of the County.

"Assigned Special Tax" means the Special Tax for each Land Use Category of Taxable Property, as determined in accordance with Section C., below.

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“Benefit Unit” means a single family residential lot or dwelling unit or the equivalent. Single Family Property is assigned benefit units based on the number of Residential Units per Assessor’s Parcel with the basis being one (1) benefit unit per Residential Unit. Multi-Family Residential Property is assigned 60 percent of one benefit unit, or six-tenths (0.6) benefit units, per Residential Unit. Commercial Property is assigned benefit units based on acreage with the basis being five (5) benefit units per acre. Hotel Property is assigned benefit units based on acreage with the basis being five (5) benefit units per acre. Industrial Property is assigned benefit units based on acreage with the basis being two (2) benefit units per acre. Religious Property is assigned benefit units based on acreage with the basis being two (2) benefit units per acre.

“CFD” or **“CFD No. 2010-1”** means the City of Desert Hot Springs Community Facilities District No. 2010-1 (Services).

“City” has the meaning set forth in the preamble.

“Commercial Property” means, in any Fiscal Year, any Assessor’s Parcel for which a building permit or use permit has been issued for a commercial establishment which includes, but is not limited to, retail stores, clothing stores, book stores, video rental stores, drug stores, professional services (i.e., barber shops, dry cleaners), restaurants, supermarkets, hospitals, movie theaters, appliance and electronic stores, home supply stores, auto parts stores, and other businesses providing auto-related products and services. The Administrator shall make the determination if an Assessor’s Parcel is Commercial Property.

“County” means the County of Riverside

“Exempt Property” means all Assessors’ Parcels designated as being exempt from the Special Tax as provided for in Section G.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued without further subdivision

“Fiscal Year” means the period from and including July 1st of any year to and including the following June 30th.

“Hotel Property” means, in any Fiscal Year, any Assessor’s Parcel for which a building permit or use permit has been issued for a structure that constitutes a place of lodging providing sleeping accommodations and related facilities for travelers. The Administrator shall make the determination if an Assessor’s Parcel is Hotel Property.

“Industrial Property” means, in any Fiscal Year, any Assessor’s Parcel for which a building permit or use permit has been issued for construction of an industrial, manufacturing, or warehousing structure. The Administrator shall make the determination if an Assessor’s Parcel is Industrial Property.

“Land Use Category” means any of the categories contained in Table 1 hereof to which a Parcel is assigned consistent with the land use approvals that have been received or proposed for the Parcel as of March 1 preceding the beginning of a Fiscal Year.

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“Maintenance Category” means any of the categories listed in Table 2 hereof to which an Assessor’s Parcel is assigned consistent with the rate per Benefit Unit for providing Services to said Assessor’s Parcel as determined by the Administrator.

“Maximum Special Tax Rate(s)” means the Maximum Special Tax for each Land Use Category of Taxable Property, as determined in accordance with Section C., below.

“Multi-Family Residential Property” means any Assessor’s Parcel of residential property that consists of a building or buildings comprised of attached Residential Units available for rental, but not purchase, by the general public and under common management.

“Religious Property” means any Assessor’s Parcel used as a place of worship or for other religious activities. The Administrator shall make the determination if an Assessor’s Parcel is Religious Property.

“Residential Unit” means, for each Fiscal Year, a building or portion thereof on an Assessor’s Parcel intended for use by one (1) family and containing but one (1) kitchen, which is designed primarily for residential occupancy including single family and multifamily dwellings. Residential Unit shall not include hotels or motels which shall be classified as Hotel Property.

“Services” means those services authorized to be funded by CFD No. 2010-1 as set forth in the documents adopted by the City Council when the CFD was formed..

“Single Family Residential Property” means any residential property that consists of a building comprised of attached or detached residential units available for purchase or rent by the general public.

“Special Tax(es)” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property.

“Special Tax Requirement” means that amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2010-1 in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the direct costs for (i) Services, and (ii) Administrative Expenses. Under no circumstances shall the Special Tax Requirement include funds for Bonds.

“Taxable Property” means all Assessor’s Parcels within CFD No. 2010-1, which are not Exempt Property.

B. ASSIGNMENT TO LAND USE AND MAINTENANCE CATEGORY

The Special Tax shall be levied annually upon each Assessor’s Parcel of Taxable Property for each Fiscal Year according to the Land Use Category and Maintenance Category assigned. Each Fiscal Year the Administrator shall identify the current Assessor’s Parcel Number assigned to all Assessor’s Parcels of Taxable Property within CFD No. 2010-1 and determine which Land Use Category each Assessor’s Parcel should be assigned to according to Table 1 below. The Administrator shall further assign the appropriate Maintenance Category contained in Table 2 according to the estimated cost for providing Services to the Assessor’s Parcel.

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TABLE 1
Land Use Category
Community Facilities District No. 2010-1 (Services)
City of Desert Hot Springs, California

Land Use Category	Description	Benefit Unit(s)
A	Single Family Residential Property	One (1) / Residential Unit
B	Multi-Family Residential Property	Six tenths (0.6) / Residential Unit
C	Commercial Property	Five (5) / Acre
D	Hotel Property	Five (5) / Acre
E	Industrial Property	Two (2) / Acre
F	Religious Property	Two (2) / Acre

No Special Tax shall be levied on property which, at the time of adoption of the Resolution of Formation for CFD No. 2010-1, is an Exempt Property.

C. MAXIMUM SPECIAL TAX RATES

The Maximum Special Tax for each Assessor's Parcel of Taxable Property assigned to each Maintenance Category shall be the greater of: (i) the applicable Assigned Special Tax described in Table 2 for such Maintenance Category or (ii) the amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The Assigned Special Tax for each Assessor's Parcel of Taxable Property is shown in Table 2 is fixed and does not increase each Fiscal Year. For each Fiscal Year following the first Fiscal Year an Assessor's Parcel is levied the applicable Assigned Special Tax shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two and one half percent (2.50%), whichever is greater on each subsequent July 1 for the Fiscal Year then commencing.

b. Backup Special Tax

The Backup Special Tax shall equal the Assigned Special Tax that is applicable to an Assessor's Parcel as determined for the current Fiscal Year the tax is calculated. Notwithstanding the foregoing, if Assessor's Parcels classified or to be classified as Taxable Property is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified.

When a Final Map is recorded, the Backup Special Tax for an Assessor's Parcel classified or to be classified as Commercial Property, Industrial Property, or Religious Property within such Final Map shall be determined by multiplying the Assigned Special Tax rate per Benefit Unit by the Proposed Benefit Units or Acreage of Commercial Property, Industrial Property,

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or Religious Property described in Table 4 of Section G., in such Final Map and dividing such amount by the number of Taxable Acres classified or to be classified as Commercial Property, Industrial Property, or Religious Property (i.e., the number of acres) within such Final Map.

When a Final Map is recorded, the Backup Special Tax for an Assessor's Parcel classified or to be classified as Single Family Residential Property or Multi-Family Residential Property within such Final Map shall be determined by multiplying the Assigned Special Tax rate per Benefit Unit by the Proposed Benefit Units of Single Family Residential Property or Multi-Family Residential Property described in Table 4 of Section G., in such Final Map and dividing such amount by the number of Assessor's Parcels classified or to be classified as Single Family Residential Property or Multi-Family Residential Property (i.e., the number of single family residential lots) within such Final Map.

For each Fiscal Year following Fiscal Year 2010-2011 the Backup Special Tax shall increase by the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or by two and one half percent (2.50%), whichever is greater.

TABLE 2
Assigned Special Tax Rates
Community Facilities District No. 2010-1 (Services)
City of Desert Hot Springs, California

Maintenance Category	Assigned Special Tax Rate Per Benefit Unit
1	\$20.00
2	\$30.00
3	\$40.00
4	\$50.00
5	\$60.00
6	\$70.00
7	\$80.00
8	\$90.00
9	\$100.00
10	\$150.00
11	\$200.00
12	\$250.00
13	\$300.00
14	\$350.00
15	\$400.00
16	\$450.00
17	\$500.00
18	\$550.00
19	\$600.00
20	\$650.00
21	\$700.00
22	\$750.00
23	\$800.00

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24	\$850.00
25	\$900.00
26	\$950.00
27	\$1,000.00
28	\$1,250.00
29	\$1,500.00
30	\$2,000.00
31	\$2,500.00
32	\$3,000.00
33	\$3,500.00
34	\$4,000.00
35	\$4,500.00
36	\$5,000.00

TABLE 3
Assignment to Land Use Category
Community Facilities District No. 2010-1 (Services)
City of Desert Hot Springs, California

Assessor Parcel No.	Land Use Category	Maintenance Category
642-081-006	B	15

D. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX

For each Fiscal Year, the City shall determine the total amount of the Special Tax Requirement to be levied and collected to pay the costs of providing the Services during the Fiscal Year and shall levy the Special Tax as determined by the actual cost of providing services as shown in Exhibit A on all Assessor's Parcels in all Land Use Categories and Maintenance Categories at the rates necessary to fully fund such costs; provided that such rates shall not exceed the Maximum Special Tax Rates for the Fiscal Year. In levying the Special Tax to fund the costs of providing the Services in each Fiscal Year, the City shall (a) determine the cost of providing the Services and the amount of the Special Tax per Benefit Unit to be levied on Assessor's Parcels in each Maintenance Category to provide such Services; (b) levy the Special Tax on all Assessor's Parcels in each Maintenance Category, as then applicable, based on the Benefit Units assigned to such Assessor's Parcels depending on the Land Use Categories to which they are assigned. The amount of the Special Tax to be levied on any Assessor's Parcel in any Fiscal Year shall be the total of the rates of Special Tax determined pursuant to clauses (a) and (b) above, to the extent that such clauses are applicable to the Assessor's Parcel, based on the Land Use Category and Maintenance Category to which the Assessor's Parcel is assigned and the Services which must be funded from the total amount of the Special Tax per Benefit Unit to be levied on all Assessor's Parcels in the same Maintenance Category to fund the costs of such Services.

E. FUTURE ANNEXATIONS

It is anticipated that additional properties will be annexed to CFD No. 2010-1 from time to time. As each annexation is proposed, an analysis will be prepared to determine the annual

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cost for providing Services. Based on this analysis, the property to be annexed will be assigned to the appropriate Maintenance Category and the appropriate Assigned Tax rate contained in Table 2.

F. TERM OF SPECIAL TAX

For each Fiscal Year, the Special Tax shall be levied in perpetuity as long as the Services are being provided.

G. EXEMPTIONS

The City shall classify as Exempt Property within CFD No. 2010-1, any Assessor's Parcel in any of the following categories; (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by any public entity; (ii) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; (iii) Assessor's Parcels which are privately owned but are encumbered by or restricted solely for public uses; or (iv) any Assessor's Parcel which is in use in the performance of a public function as determined by the Administrator.

Notwithstanding the foregoing, the classification of Exempt Property shall not reduce the Benefit Units or Acreage to less than the amount shown in Table 4 below.

TABLE 4
Proposed Benefit Units and Acreage
Community Facilities District No. 2010-1 (Services)
City of Desert Hot Springs, California

Assessor Parcel No.	Benefit Units	Acreage
642-081-006	36	4.43

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the City not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 2010-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

I. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 2010-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.