CITY OF GOODYEAR, ARIZONA
POLICY GUIDELINES AND APPLICATION PROCEDURES FOR THE ESTABLISHMENT AND OPERATION OF COMMUNITY FACILITIES DISTRICTS

In order to secure for the City of Goodyear, Arizona (the "**City**") the benefits of the Community Facilities Act, Arizona Revised Statutes ("**A.R.S.**") Section 48-701, *et seq*. enacted by the Arizona Legislature in 1988, as amended (the "**Act**"), and to promote the best interests of the City, the following Policy Guidelines and Application Procedures for the Establishment and Operation of Community Facilities Districts (these "**Policy Guidelines and Application Procedures**") have been adopted by the City Council.

A community facilities district (a "**CFD**") provides a funding mechanism to finance construction, acquisition, operation, and maintenance of public infrastructure within the boundaries of the CFD that benefits the real property comprising the CFD and its ultimate users, and to better enable the City to provide municipal services within the boundaries of the CFD.

Recognizing a CFD is a statutory special taxing district with municipal taxing, borrowing and, as applicable, foreclosure powers within the boundaries of the City, the City Council believes that formation of a CFD should be conducted carefully and with reasoned consideration in order to protect the CFD's property owners and taxpayers, and to facilitate the CFD's long-term success.

In order to permit the City Council to make a reasonable judgment as to whether or not to establish a CFD and upon what terms, the City Council has established these Policy Guidelines and Application Procedures.

ARTICLE 1
General Policies

1.1 Major Infrastructure; Enhanced Public Infrastructure/Services. CFDs should be utilized primarily in connection with the financing of major public infrastructure for development of master planned communities, substantial residential development or substantial commercial development. CFDs may also be utilized to provide an enhanced level of public infrastructure amenities and/or municipal services. Public infrastructure improvements financed by a CFD should be in conformance with the City's General Plan. A CFD is not intended to fund or subsidize enhancements requested by the person or entity requesting the CFD formation, the developer of the land within the proposed CFD or the property owner(s) of the land within the CFD (collectively, the "**Developer**").

1.2 City's Sole Discretion. Each CFD is different, and each application for formation shall be evaluated at the sole and absolute discretion of the City Council. The formation of a CFD, and any subsequent CFD financing, will not be considered solely based upon a request for equivalency or similarity between separate development projects or other CFDs within the City, or even between separate financings within a CFD.

1.3 Number of CFDs. The City will encourage an area to be governed by as few CFDs as possible, and a preference will be given to one master CFD for all property within an entire development project. This policy is adopted to avoid creating communities or projects where only a portion of the development is ultimately within the boundaries of the CFD, to facilitate ease of administration and to create the largest tax/revenue base possible. The decision to form a CFD shall be a decision of the City Council exercised in its sole and absolute discretion.

1.4 CFD Board. Unless otherwise agreed to by the City in its sole discretion and subject to such additional conditions as deemed appropriate by the City, the CFD will be governed by a Board of Directors (the "**CFD Board**") comprised of the members of the City Council, ex officio. The day-to-day responsibilities of the CFD will be performed, pursuant to an agreement, by outside personnel or by City staff. Advisory committees may, at the sole option of the CFD Board, be utilized.

1.5 Self-Supporting. Unless otherwise agreed to by the City, the CFD must be self-supporting and no City funds will be used for CFD purposes, including the CFD's financing transactions and the operations and maintenance of the CFD. Notwithstanding anything contained herein, none of the property, the full faith and credit, or the taxing power of the City shall be pledged to the payment of any CFD obligation or indebtedness.

1.6 Timing and Form of Financing. The CFD Board will determine, in its sole and absolute discretion, the amount, timing and form of financing to be used by a CFD during its review process of the project feasibility report. To the extent possible for public offerings, the closing for any financing shall be scheduled to ensure that offering documents are not finalized until at least one month after assessed valuations are published by the Assessor (the "**County Assessor**") of Maricopa County, Arizona (the "**County**").

1.7 Public Procurement. Unless otherwise agreed to by the CFD Board in its sole and absolute discretion, all public infrastructure constructed or acquired by the CFD will utilize public procurement procedures in accordance with applicable laws, rules and regulations, as such laws, rules and regulations would be applied in the case of the City. From time to time, the CFD Board may elect to adopt policies and procedures regarding procurement, including such policies and procedures that are similar to those of the City.

1.8 No Purchase of Real Property. The CFD will not use bond proceeds or other CFD funds to purchase from the person requesting CFD financing public rights-of-way or other real property to be used for public infrastructure improvements, if such real property would be required to be dedicated and conveyed to the City by the Developer upon development of the Developer's property.

1.9 Cost Responsibility. Unless otherwise agreed to by the City, all costs of administration and operation of the CFD (including, but not limited to, staff compensation; fees for legal publications; postage; telephone, electricity, and other utility costs; licenses, dues, and subscriptions; audit fees; and fees for legal counsel, engineers, financial advisors, and other consultants) and the operation and maintenance of public infrastructure in the CFD shall be the responsibility of the CFD, the Developer, applicable homeowners' associations, or any combination of the foregoing, as may be acceptable to the City and the CFD.

1.10 Indemnification of City and CFD. Where applicable, the Developer will provide appropriate indemnification of the City and the CFD and their respective officials, directors, officers, employees and agents in connection with the CFD.

1.11 Acquisition or Reimbursement Only. Unless otherwise agreed to by the City and the CFD in their sole and absolute discretion, all bond financings described herein shall be "acquisition" or "reimbursement" financings whereby the Developer pays for the public infrastructure and is subsequently reimbursed from CFD bond proceeds.

1.12 Board Appointments. Upon formation of a CFD, the CFD Board shall appoint a Chairman and Vice Chairman of the CFD Board and a Manager, Clerk, and Treasurer of the CFD. Unless otherwise agreed to by the CFD Board in its sole and absolute discretion, the Manager, Clerk, and Treasurer for the CFD shall be the persons serving as the City Manager, the City Clerk, and the City Finance Director, respectively, and the Manager of the CFD will be authorized to appoint a qualified person or entity as the Engineer of the CFD when such appointment shall be necessary to further the purposes of the CFD.

1.13 Modification of Guidelines and Procedures. These Policy Guidelines and Application Procedures may be modified from time to time. Any applicant will be given the opportunity to propose alternative approaches to those provided herein, with the understanding that concerns of the City must be adequately addressed before the staff of the City will recommend approval of formation of a CFD to the City Council.

ARTICLE 2
Content of Completed Application

All applications for the formation of a CFD shall be submitted to the City. In accordance with A.R.S. § 48-702, formation of a CFD will not be considered until an applicant submits a completed application (a "**Completed Application**"). Each Completed Application shall, at a minimum, contain the following:

2.1 General Matters.

a. Description of CFD. A description of the proposed CFD, including a legal description of its boundaries, identity and addresses of all persons or entities with any interest in the real property (including any liens and encumbrances on the real property), a condition of title report and the names and addresses of any qualified electors located within the proposed CFD boundaries. A current title report and a certificate from the County elections department shall be submitted as evidence of the names of persons with any interest in the real property and qualified electors, respectively. The description must contain an analysis of the appropriateness of the CFD boundaries.

b. Description of Applicant. A description of the applicant, including the corporate and organizational structure of the entity or individual submitting the application. This description should also include the names of all officers and/or corporate directors directly related to or associated with the proposed development and the proposed CFD. If there is more than one property owner, the application shall designate a representative for the applicants.

c. Contact Information. The name, address, telephone number and other relevant information of the primary contact for the applicant. This information should also list the names (and other relevant information) of any legal representatives, engineers, architects, financial consultants and/or other consultants significantly involved in the preparation and submission of the Completed Application.

2.2 Public Infrastructure to be Constructed. A detailed description of all public infrastructure to be constructed, acquired or improved within the boundaries of the CFD, including a detailed description of the types of public infrastructure to be financed by the CFD, including the estimated construction or acquisition costs of the public infrastructure, the annual operation and maintenance costs of the public infrastructure and the governmental approvals that will be required for both the public and private improvements to be constructed and operated. The description should include a comparison (in table format) of (a) the total costs of infrastructure to be constructed, acquired or improved within the boundaries of the CFD, (b) the amount of such total costs to be privately financed by the Developer and (c) the potential amount of such total costs to be reimbursed or financed with CFD financing.

2.3 Project Schedule. A proposed project schedule for commencement and completion of (a) the public infrastructure and (b) the private development.

2.4 Financing Plan. A financing plan for the public infrastructure, including both capital and operating/maintenance costs.

2.5 Feasibility Study. A financial feasibility study for the entire project (or such phases of the project that are expected to be constructed within five years of submission of the Completed Application) covering both the public infrastructure and the private development. This will include:

a. Debt Financing Analysis. An analysis of how the proposed debt financing, operation and maintenance costs, user charges and other CFD costs will impact the ultimate end users of the property, specifically projected property taxes and property tax rates, special assessments, fees, charges and other costs that would be borne by property in the CFD. The analysis should include the impact on a single family detached residence with the expected average assessed valuation within the proposed boundaries of the CFD. The City may request additional analyses based on other types of residential properties, commercial properties or industrial properties that will be subject to the proposed CFD property taxes, special assessments, fees, charges and other costs. The analysis will also address the impact these costs will have on the marketability of the private development and a comparison of proposed tax rates or charges within the proposed CFD contrasted to the tax rates and charges in adjoining and similar areas outside of the proposed CFD.

b. Private Development Financing. A financing plan for the private development in the CFD.

c. Market Absorption Study. A market absorption study for the private development in the CFD prepared by an independent consultant acceptable to the City. Such study shall include estimates of the revenue to be generated by the development and an estimate of the ability of the market to absorb the development as well as a market absorption calendar for the private development.

2.6 Equity Contribution. A description of the proposed equity contribution from the Developer and a calendar showing the timing and sources of such equity contribution.

2.7 Developer Experience. A description of the Developer's professional experience and evidence demonstrating its financial capacity (including financial statements) to undertake the development associated with the public infrastructure and the private development.

2.8 Purchaser/Prospective CFD Landowner Disclosure. A disclosure form explaining the expected and possible tax, assessment and other financial burdens of the CFD to prospective CFD landowners. Upon each sale of property in the CFD, the Developer shall file with the City a receipt, signed by the purchaser that acknowledges the purchaser's receipt of the disclosure form. Developers are required to describe in their promotional material the financial and other relative impacts on the development being included in a CFD. Copies of the disclosure form must be placed on file with the Clerk of the CFD. The Developer shall present a plan, including, as applicable, proposed language in the homeowners' association covenants, conditions and restrictions pertaining to the development, whereby all future prospective owners of taxable property within the boundaries of the CFD shall receive disclosure of the CFD and the expected and possible tax, assessment and other financial burdens of the CFD. A disclosure form explaining the expected and possible tax, assessment and other financial burdens of the CFD to prospective CFD landowners. Upon each sale of property in the CFD, the Developer shall file with the City a receipt, signed by the purchaser that acknowledges the purchaser's receipt of the disclosure form. Developers are required to describe in their promotional material the financial and other relative impacts on the development being included in a CFD. Copies of the disclosure form must be placed on file with the Clerk of the CFD.

2.9 CFD Operating Plan. An operating plan for the CFD that includes, but is not limited to (a) descriptions of the infrastructure and services the CFD will provide, and (b) the mechanisms for providing for the operation and maintenance of the infrastructure and services provided by the CFD. The Completed Application will include how the CFD will comply with the website provisions in A.R.S. § 48-727, including how the applicant will provide for payment of costs related to establishing and maintaining the CFD's website or an allocable portion of the City's website for multiple CFDs.

2.10 Consistency with City Policies. A description of how the proposed CFD meets the existing development objectives of the City, including the degree to which the CFD is consistent with the goals of the City's General Plan for promoting orderly development, consistent with growth management policies and zoning requirements and the degree to which the land use plan for the CFD is consistent with the City's General Plan Map for the area.

2.11 Petition for Formation. A petition in favor of creation of the CFD. The petition must include a list of all parcels in the proposed CFD along with the parcel number, owner names, situs address and lot size (parcel square footage or acreage) for each individual parcel. The petition must be signed by the owners of at least 25% of the land area proposed to be included in the CFD.

2.12 CFD Development Agreement. A District Development and Financing Participation Agreement between the City and the applicant (the "**CFD Development Agreement**") in substantially final form, including all terms and provisions to be approved by the City if formation of a CFD is approved. The agreement must include matters required by A.R.S. § 48-708(D) and must have been fully negotiated by the applicant and City staff.

2.13 CFD Board Insurance. The Developer is responsible for the cost of insurance to cover all actions and activities taken by the CFD Board and officers of the CFD relating to the CFD formation, financing, administrative actions or other related activities of the types, in amounts and with deductibles determined by the City's risk manager or other appropriate officer. The Completed Application will provide an explanation of how such insurance coverage shall be provided by the Developer and how assurances will be provided that the premiums and deductibles will be paid in the future. Insurance must include a "per occurrence coverage" including a "securities" rider if bonds are anticipated to be sold. If the City insures itself or participates in any type of insurance pool with other municipalities, these insurance provisions may be negotiated and modified as appropriate.

2.15 Indemnification of City and CFD. A statement indicating how indemnification outlined in the District Development and Financing Participation Agreement will be provided for the City and the CFD and their respective agents, officers and employees for, from and against any and all liabilities, claims, costs and expenses, including attorneys' fees and expenses, incurred in any challenge or proceeding relating to the formation, operation, and administration of the CFD, the offer and sale of CFD bonds, the levying by the CFD of any tax, assessment or charge and the operation and maintenance of public infrastructure financed or owned by the CFD, by the entity providing indemnification (including financial statements and other supporting information for such entity, appropriate collateral arrangements, and other appropriate provisions and considerations).

ARTICLE 3
Completed Application Procedures

3.1 Copies of Application. One electronic copy of the Completed Application for the formation of a CFD shall be submitted to the Finance Director of the City who will coordinate an inter-departmental analysis of the Completed Application.

3.2 Application Fee. At the time of submission of the Completed Application, the Developer shall pay a non-refundable application fee of $15,000 in connection with the submission and consideration of each Completed Application to request formation of a CFD. Such fees as they relate to, but exceed the costs of, formation shall be transferred by the City to the CFD and the CFD shall use the transferred monies solely to support the formation or administration of the CFD, including the sale and issuance of bonds. Any resubmission of the Completed Application or a substantially similar Completed Application within one year of the initial submission shall not require an additional application fee as provided in A.R.S. § 48-708(E).

3.3 Pre-Submission Meeting. Prior to submission of a Completed Application, and at the request of the Developer, the Finance Director and appropriate officers of the City may arrange one or more pre-submission meetings with the applicant, City staff, and outside professionals and consultants for the purpose of discussing the possible submission of a Completed Application and conformity with these Policy Guidelines and Application Procedures.

3.4 Additional Information. Following the pre-submission meeting, or at any other time prior to submission of the Completed Application, City staff may request additional information. The Developer shall provide any and all supplemental information requested prior to proceeding with a Completed Application. Following the submission of the Completed Application, City staff may request additional information and the applicant shall promptly provide any and all supplemental information requested. If such post-submission City staff request for additional information occurs prior to the City Council's consideration of formation of the CFD, then such additional information must be provided by the applicant prior to the City Council's consideration of formation of the CFD.

3.5 Application Review. The review, analysis and consideration of a Completed Application will include, without limitation, a comprehensive review of the Completed Application to determine whether the Completed Application is consistent with these Policy Guidelines and Application Procedures, identification of missing or incomplete information and identification and discussion of any concerns with the Developer. This will include, without limitation, examining the feasibility of the project, analysis of land ownership interests, analysis of the proposed financing structure, risk analysis and evaluation of community benefits. Under direction of the Finance Director, a report may be prepared including recommendations related to the proposed CFD and an analysis of the impact of the formation of the proposed CFD and its effects on the City. Additional requirements may be placed on any or all of the Developer, subsequent landowner(s), builder(s) and/or the proposed CFD. This review will include the preliminary approval of the form, terms and provisions of the substantially final form of the Development and Financing Participation Agreement necessary for formation of the CFD. A Completed Application must be consistent with these Policy Guidelines and Application Procedures and must contain all the information required herein.

3.6 Public Hearing; Resolution of Intention. The City shall comply with all timelines pertaining to review of the Completed Application. Specifically, but without limitation, upon submission of a Completed Application the City Council shall, within 60 days, hold a public hearing to consider the Completed Application. A resolution declaring the intent to form the CFD may be considered by City Council immediately following the public hearing. If City Council does not adopt the resolution of intention to form the CFD, the City Council will provide a written basis for not adopting the resolution of intention and shall identify the specific changes for the Completed Application to be approved, if applicable.

3.7 Other Existing Agreements. If the City Council approves the formation of a CFD and there are existing agreements with Developer for the provision of infrastructure proposed to be furnished by the CFD, then those agreements will be deemed amended to reflect the agreements and conditions pertaining to the CFD. The amendments will reflect that such infrastructure improvements will be provided (including by acquisition) by either the Developer or the CFD.

3.8 CFD Development Agreement. If the City Council approves formation of a CFD, the applying Developer and the staff of the City shall coordinate a schedule of events for formation of the CFD and shall execute an appropriate agreement (i.e. the CFD Development Agreement) between the City and the Developer which shall be entered into prior to formation of the CFD, which shall incorporate the requirements of any report, recommendations of the City staff relating to such CFD, the requirements of these Policy Guidelines and Application Procedures and any other restrictions, provisions and agreements required by the City.

3.9 Petition by 100% Ownership. If a Completed Application includes a petition for formation of the CFD that is signed by 100% of the owners of all the real property in the proposed CFD, as well as meeting all the requirements described herein in form satisfactory to the City, the City may declare the CFD formed without posting, publication, mailing, notice and public hearings or landowner election. Otherwise, the alternative provisions of the Act pertaining to formation of the CFD must be followed.

ARTICLE 4
CFD Operations and Debt Financing

4.1 Administrative Expense Fee. Upon approval of formation of a CFD the Developer shall deposit with the CFD a nonrefundable administrative expense fee in the amount of $60,000. In anticipation of formation of the CFD, or in the instance of formation by petition of all landowners, the Developer may agree with the City to make this nonrefundable deposit prior to approval of formation of the CFD. The administrative expense fee shall be applied by the CFD to the costs and expenses incurred in connection with the formation, review of any feasibility study, election costs, administration, operation and maintenance of the CFD or its public improvements. These deposits shall be applied to payments for services rendered by City staff, by CFD staff and by outside consultants who may be retained by the City and/or the CFD, including, without limitation, attorneys (including bond counsel), financial advisors, engineers, appraisers and other professionals. From time to time, upon depletion of the administrative expense fee, the CFD may request, and the Developer shall promptly deposit with the CFD, additional $25,000 deposits to be applied to the purposes contemplated in this Section 4.1. The CFD and the Developer may agree to a smaller amount of deposits to replenish the administrative expense fee, but in no event shall a replenishment deposit be less than $5,000. The deposits described herein shall be deposited in the CFD's accounts that are managed by City staff (acting in their capacity as CFD staff). If the deposits are made prior to formation of the CFD, City staff may deposit such monies in other operating accounts of the City on a temporary basis pending formation of the CFD.

4.2 O&M Tax. In order to provide for the CFD to be self-supporting for its administrative, operation and maintenance expenses the City and the CFD, unless otherwise agreed, will require the imposition, if approved at an appropriate election, of a $0.30 per $100 of assessed value ad valorem tax upon the CFD taxable property. Failure to impose such tax will relieve the City and the CFD from undertaking any obligations or operations.

4.3 Debt Considerations. The debt of a CFD may not have any substantial direct or indirect negative impacts on the debt financing capabilities of the City. In addition, the debt of a CFD may not impose an unreasonably high financial burden on future CFD residents. The City Council may consider debt burdens, and corresponding tax rates and levies, in its decision on whether to approve the formation of a CFD. In connection with any request for debt financing, unless otherwise agreed by the City, the Developer must provide a current appraisal of the full cash market value of the property within the proposed CFD that will be taxed or assessed, prepared by a person who is designated as a Member Appraisal Institute ("**MAI**") and a certified general real estate appraiser (such person hereafter referred to as an "**MAI Appraiser**"), such appraisal to be in form and substance acceptable to the City, in its sole and absolute discretion. Generally, the appraisal shall be based on the wholesale, bulk sale of the real property in the CFD, but the CFD staff may require, in their sole and absolute discretion, additional appraisal requirements depending on current market conditions or the type of project to be financed.

4.4 Pending Material Tax Appeal. The plan of finance for any feasibility report filed shall (a) identify any pending or contemplated appeal of a Notice of Value issued by the County Assessor for any tax year for property that is the subject of such feasibility report and (b) provide an analysis showing that a determination of such appeal will not materially reduce the taxable value of property that is the subject of the feasibility report.

4.5 General Obligation Bonds.

a. Ad Valorem Tax. General Obligation Bonds of the CFD will be secured by an unlimited ad valorem tax on all taxable property located within the CFD. The tax to be levied for the CFD with respect to any CFD general obligation bonds shall be sufficient to pay when due the principal of, interest on, and premium (if any) on all outstanding CFD general obligation bonds and CFD general obligation bonds proposed to be issued and included in the CFD's budget for the upcoming fiscal year.

b. Tax Rate. As part of the CFD Development Agreement, the City may approve, in its sole and absolute discretion, a target maximum tax rate for all general obligation debt of the CFD (the "**Target Tax Rate**"). For the purposes of calculating the Target Tax Rate the CFD shall use, on the date of the applicable calculation, the actual values shown on the tax rolls of the County Assessor that are established each year or, if more current, the values shown on the Assessor's special districts extract for the CFD (the "**AV**").

c. Exceedance of Target Tax Rate. As part of a CFD Development Agreement, the City may, in the City's sole and absolute discretion, allow the Developer to exceed the Target Tax Rate by securing the Developer's obligation to pay the amount necessary to cause the actual secondary tax rate levied to be not greater than the Target Tax Rate (the "**Subsidy Amount**") by a letter of credit or other such collateral (such as a surety bond or cash) issued by a bank acceptable to the City and with such terms as agreed to in the CFD Development Agreement.

The collateral securing the Subsidy Amount shall not adversely affect the tax-exempt status of any related bonds and shall be delivered with all certificates and opinions required by the CFD. The CFD Development Agreement shall require the Developer to provide for the annual payment of the Subsidy Amount pertaining to the next succeeding fiscal year not later than March 30th of each year. Unless otherwise agreed to in a CFD Development Agreement, the security for the Subsidy Amount shall remain in full force and effect until such time as the CFD Board, exercising its sole and absolute discretion, determines the assessed value of real property in the CFD is sufficient to generate ad valorem taxes at or below the Target Tax Rate sufficient to pay the actual CFD debt service. At that time, the CFD Board may determine, in its sole and absolute discretion, whether the Developer's security will be released in whole or in part.

d. Limitation on Additional General Obligation Debt. Unless otherwise agreed to by CFD Board in its sole and absolute discretion, no additional general obligation bonds may be issued at any time during which the maximum tax rate, from time to time, for the CFD with respect to any bonds, exceeds the Target Tax Rate, even if such exceedance is paid by the Developer as part of the Subsidy Amount.

e. Project Feasibility Report. Prior to the issuance of general obligation bonds by the CFD, a project feasibility report shall be prepared by the CFD with information provided by, among others, the applicant, and the report shall describe, in addition to the requirements of the Act, the following:

(i) Direct and Overlapping Debt. The current direct and overlapping tax and assessment burden on the taxable property within the CFD that is proposed to be taxed and the full cash value and assessed valuation of the taxable property as shown on the most recent assessment roll.

(ii) Bond Amount and Timing. The expected amount and timing of CFD general obligation bonds to be issued.

(iii) Expected Market Absorption. The expected market absorption of development within the CFD.

(iv) Effect on Tax Rates. The effect of the CFD bond issuance on CFD tax rates, calculated over the entire period of time that the proposed general obligation bonds are estimated to be outstanding or based on the phasing of the project to be financed, as applicable.

(v) Economic Benefits to Residents. Estimated savings or economic advantage, if any, to residents in the form of reduced sales prices, enhanced public services and/or amenities, or additional community benefits that are projected to result from CFD financing.

(vi) Tax Rate. The proposed total tax rate of the CFD, and any plan for subsidizing CFD tax rate.

(vii) Marketing Plan. A description of the marketing plan for the issuance of CFD general obligation bonds, including whether the bonds will be publicly offered or privately placed. Publicly offered bonds must be rated in one of the four highest investment grade ratings from S&P Global Ratings, Moody's Investors Services, Inc., or other nationally recognized bond rating services. Privately placed bonds need not be rated; however, the purchasers of such general obligation bonds must be "qualified institutional buyers" (as such term is defined in Rule 144A of the Securities and Exchange Commission) or "accredited investors" (as such term is defined in Rule 501 of Regulation D of the Securities and Exchange Commission) and must agree not to resell the bonds except to "qualified institutional buyers" or "accredited investors" in a private placement; provided, however, that a purchaser of general obligation bonds in a private placement may sell the bonds in a public offering if the CFD Board approves the public sale and the bonds have an investment grade rating. The CFD Board, in its sole and absolute discretion, may authorize a marketing plan for the issuance of CFD bonds that differs from the provisions of this subsection.

4.6 Revenue Bonds. Revenue Bonds shall be payable from a specified CFD revenue source. An applicant for revenue bonds shall describe in each project feasibility report, in addition to the statutory requirements, the following:

a. Direct and Overlapping Debt. The current direct and overlapping tax and assessment burdens on the property within the CFD and the full cash value and assessed valuation of that taxable property as shown on the most recent assessment roll.

b. Source of Revenue. The revenue source from which bonds will be payable. The City reserves the right to require the applicant to produce such independently prepared feasibility studies or reports as it deems necessary to confirm the amount and availability of revenues.

c. Expected Market Absorption. The expected market absorption of development within the CFD.

d. Bond Amount and Timing. The amount and timing of CFD revenue bonds to be issued.

e. Financial Impact. The financial impact of the proposed issues(s) on prospective residents.

f. Marketing Plan for Issuance of the Bonds. Whether the bonds will be publicly offered or privately placed. Publicly offered revenue bonds must be rated in one of the four highest investment grade ratings from either S&P Global Ratings, Moody's Investors Service, Inc., or other nationally recognized bond rating services. Privately placed bonds need not be rated; however the purchasers of such revenue bonds must sign an investor letter in a form satisfactory to the CFD, and must be "qualified institutional buyers" or "accredited investors" (as such terms are defined in Rule 501 of Regulation D of the Securities and Exchange Commission) or a sophisticated municipal market participant ("**SMMP**"), who must agree to hold the bonds for their own account or agree not to sell the bonds except to "qualified institutional buyers," "accredited investors" or "SMMPs"; provided, however, that a purchaser of a revenue bond in a private placement may sell the bonds in a public offering if the CFD Board approves the public sale and the bonds have an investment grade rating. The CFD Board, in its sole and absolute discretion, may evaluate and authorize a marketing plan for the issuance of CFD revenue bonds that differs from the provisions of this subsection.

4.7 Assessment Bonds. Assessment bonds shall be secured by first lien (subject only to the lien for general taxes and prior special assessments) on the property benefited. Prior to the issuance of assessment bonds by the CFD, a project feasibility report shall be prepared in accordance with the Act. The project feasibility report shall be prepared by the CFD with information provided from, among others, the Developer, and the report shall describe, in addition to the requirements of the Act, the following:

a. Direct and Overlapping Debt. The current direct and overlapping tax and assessment burdens on real property within the CFD and the full cash value and assessed valuation of that taxable property as shown on the most recent assessment roll.

b. Bond Amount and Timing. The amount and timing of assessment bonds to be issued.

c. Expected Market Absorption. The expected market absorption of development within the CFD.

d. Assessment Burden. The assessment burden to be placed on the prospective assessed parcels.

e. Marketing Plan; Debt Ratio. A description of the marketing plan for the CFD assessment bonds, including whether the assessment bonds will be publicly offered or privately placed. Publicly offered assessment bonds must be rated in one of the four highest investment grade ratings from either S&P Global Ratings, Moody's Investors Service, Inc., or other nationally recognized bond rating services or in an unrated public offering, an appraisal of the land to be encumbered, prepared by an MAI Appraiser and in form and substance acceptable to the CFD Board, in its sole and absolute discretion, shall indicate a land value (prior to improvements being installed) to debt ratio of at least 6 to 1 prior to the issuance of debt. Privately placed bonds need not be rated; however the purchasers of such assessment bonds must sign an investor letter in a form satisfactory to the CFD, and must be "qualified institutional buyers" or "accredited investors" (as such terms are defined in Rule 501 of Regulation D of the Securities and Exchange Commission) or "SMMPs," who must agree to hold the bonds for their own account or agree not to resell the bonds except to "qualified institutional buyers," "accredited investors" or "SMMPs" in a private placement. Further, in connection with the sale of unrated privately placed assessment bonds, the CFD Board must have received an appraisal of the land to be encumbered, prepared by an MAI Appraiser and in form and substance acceptable to the CFD Board, in its sole and absolute discretion, indicating a wholesale/bulk land value (prior to improvements being installed) to debt ratio of at least 4 to 1 as of a date prior to the issuance of debt. If a 4 to 1 ratio is not achieved, a scaling down of the proposed assessment bonds and/or a phasing of the public infrastructure construction is expected. The CFD Board, in its sole and absolute discretion, may authorize a marketing plan for the issuance of CFD bonds that differs from the provisions of this subsection. The CFD Board, in its sole and absolute discretion, may require alternative and additional appraisal requirements or land value to debt ratios that differ from the provisions of this subsection.

f. Allocation of Assessments. If assessed parcels of land are expected to be subdivided, the process by which the assessments will be allocated to the subdivided land. If the subdivision is expected to occur after the issuance of CFD assessment bonds, the Developer shall describe a plan of prepayment of the next debt service payment due on the assessment bonds, plus a contingency amount to be determined in the sole and absolute discretion of the CFD Board, to ensure no draws on any reserve fund result from the subdivision and corresponding assessment modification.

g. Assessment Modifications. Developers shall be responsible for all costs and expenses incurred in any assessment modifications as described in City Code Chapter19. The land value to debt ratio required at the time of the issuance of assessment bonds, pursuant to Section 4.7(e) of these Policy Guidelines and Application Procedures or as otherwise determined by the CFD Board, shall be maintained after any assessment modification. If a Developer requests an assessment modification that would reduce the land value to debt ratio below such level for any portion of the affected property, the Developer will be required to pay to the CFD, before submitting an executed petition for such modification to the CFD, the amount necessary to reduce the outstanding assessment to an amount which, after the requested modification, would achieve the initial land value to debt ratio for each portion of the property affected by the requested modification.

4.8 Modified Restrictions. Notwithstanding the restrictions pertaining to public sales and private placements of the bonds set forth in this Article 4, the restrictions may be modified if other financing structures are presented which, in the sole discretion of CFD Board, provide other means to address CFD Board concerns.

4.9 Costs of Issuance. Costs of issuance related to the issuance of bonds and obligations described in this Article 4 shall be paid for solely by the Developer, unless otherwise approved by the CFD Board, in its sole and absolute discretion.

4.10 Collection by County. CFDs shall enter into collection agreements with the County Treasurer for the collection of ad valorem property taxes, special assessments and, as applicable, other fees and charges. The Developer shall consent, as applicable, to the modification of any CFD financing structure as necessary to comply with such the terms of such collection agreement, including, without limitation, the application of bond proceeds to capitalized interest.

4.11 Approval of New Debt Issuance. To the extent possible, any bonds to be issued by the CFD in the following fiscal year shall be approved by the CFD Board prior to adoption of the Tentative Budget for the CFD for such following fiscal year. The CFD Board shall thereafter include in the annual levy of the CFD any amounts necessary to pay projected principal and interest on such new debt planned for the ensuing year, including a reasonable delinquency factor.

4.12 Bond Sale Closings. Bond closings shall be scheduled after the Board of Supervisors of the County has set the tax rates for the CFD. In connection with such closings and prior to pricing of such bonds, the Developer may be required to provide to the CFD Board a certification that (a) there are no material contests to the valuation of the real property within the CFD or (b) any material contests to the valuation of the real property within the CFD have been resolved. For the purposes of this Section 4.12, "material contests" shall mean contests of the valuation of a portion of the real property within the CFD that, if resolved in favor of the contesting party, would cause the proposed bond transaction to fail to meet the minimum debt ratios set forth in these Policy Guidelines and Application Procedures.

4.13 Professional Service Providers. The CFD shall be solely responsible for (a) retaining the services of underwriters, financial advisors and any other professional service providers for bond issuances, (b) ensuring that providers, to extent possible, have a physical office in Arizona and (c) directing such professionals to prepare such offering documents as necessary related to the respective bond issuance. If a request for proposals is issued, the selection of underwriters, financial advisors and/or other professional service providers thereunder shall be at the sole discretion of the CFD Board.

ARTICLE 5
Financing Considerations

5.1 Non-CFD Contribution. The Developer shall provide at least $0.25 in infrastructure or community improvements for each $1.00 of debt to be issued by a CFD to finance public infrastructure purposes. If agreed to by the CFD Board, in its sole and absolute discretion, prior infrastructure and community improvements constructed or acquired by the Developer may be included in calculating the Developer's compliance with this Section 5.1.

5.2 Debt Service Reserve Fund. If permitted by law and unless modified by the CFD Board as described in this Section 5.2, all bond issues shall include a debt service reserve fund in an amount acceptable to the CFD Board. The CFD Board may, in its sole and absolute discretion, authorize the issuance of CFD bonds without a debt service reserve fund.

5.3 Minimum Authorized Denominations. Privately placed bonds should have minimum authorized denominations of $100,000 or such other amount as established by the CFD Board.

5.4 Voter Authorization. Voter authorization for CFD general obligation bond authorization shall not expire; provided, however, in the Completed Application, the Developer may request a timeline for the expiration of CFD general obligation bond voter authorization, which shall be considered and approved by the CFD Board in its sole and absolute discretion.

5.5 Indemnity of City and CFD. The Developer (or such other third party acceptable to the City and CFD) for any CFD bonds, shall indemnify the City and the CFD and their agents, officers and employees and shall hold the City and the CFD and their agents, officers and employees harmless for, from and against any and all liabilities, claims, costs and expenses, including attorneys' fees, incurred in any challenge or proceeding to the formation, operation, administration of the CFD, the offer and sale of CFD bonds, the levying by the CFD of any tax, assessment or charge and the operation and maintenance of public infrastructure financed or owned by the CFD.

5.6 Environmental Reports. Unless otherwise provided to the City pursuant to other requirements, prior to CFD financing and acquisition by the CFD or the City, the CFD or the City will require an independent environmental report or assessment of any real property which will be dedicated to or otherwise owned, leased or operated by the City or the CFD and a proposed form or indemnity agreement with respect to all environmental law liability.