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SUBMITTAL TO THE BOARD OF DIRECTORS, COMMUNITY FACILITIES
DISTRICT NO. 89-4 OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



FROM: COUNTY EXECUTIVE OFFICE SUBMITTAL DATE: April 22, 2003

SUBJECT: Community Facilities District No. 89-4, Walsh Medical Arts Center
Amended and Restated Settlement Agreement with
Pony Express Land, Property & Investment, LLC,

RECOMMENDED MOTION: That the attached Amended and Restated Settlement Agreement (the "Agreement"), by and between Community Facilities District No. 89-4 (Walsh Medical Arts Center) of the County of Riverside, (the "District"), and Pony Express Land, Property & Investment, LLC, a California limited liability company (the "Developer"), be approved and the Chairman be authorized to execute the agreement on behalf of the District.

BACKGROUND: On December 17, 2002 the Board approved a settlement agreement between the District and the Developer. That agreement provided for full payment of the delinquent special taxes in the amount of \$2,828,295.35 to the District, payment of the delinquent ad valorem taxes in the amount of \$327,913.78 to the County, reimbursement of \$96,000 in legal costs paid by the District, and full payment of the FY 2002/2003 taxes due to the County, which include District special taxes.

Consistent with the terms of the agreement, the Developer opened an escrow that is due to close on or before April 25, 2003. As part of that escrow the Developer secured a loan commitment sufficient to repay all of the delinquent amounts as stated above, and is on schedule to complete most of the terms of the agreement.

(Continued on next page)

Jerry Norris
Jerry Norris, Senior Management Analyst

FINANCIAL DATA:

CURRENT YEAR COST \$ 0
NET COUNTY COST \$ 0

ANNUAL COST \$ 0
IN CURRENT YEAR BUDGET: YES / NO / X
BUDGET ADJUSTMENT: YES/ NO/X FOR FY: 02/03

SOURCE OF FUNDS: N / A

C. E. O. RECOMMENDATION: APPROVE

County Executive Officer Signature

[Signature]

FORM APPROVED
COUNTY COUNSEL

APR 15 2003

Policy
 Policy

Consent
 Consent

Department Recommendation:
Per Executive Office:

Prev. Agn. ref. 8.1 of 12/17/02 Dist. 3 AGENDA NO.

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Escrow has requested a clarification of some concerns regarding certain terms of the original agreement prior to disbursement of the funds, and staff has determined that some revisions need to be made to the agreement. These revisions will still provide for the full repayment of all of the delinquencies as well as payment of the County's portion of the current Ad Valorem taxes, but will alter the amount being paid to the District for annual special taxes. Under the terms of the amended agreement, the District's special taxes enrolled for FY 2002/03 will be stripped from the tax roll prior to the close of Escrow and new amended bills for the 2002/03 Fiscal Year will be issued for each parcel.

The District will then recalculate the FY 2002/03 special taxes using the non-defaulted status achieved by the repayment of all of the delinquencies. This will reduce the cost of those special taxes to an amount that will be sufficient to pay the current years debt service as well as the administrative requirement, without overstating the amount as required under a maximum tax calculation for a district that is in default. The newly calculated amount will then be paid out of the remaining balance in escrow.