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**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

FROM: County Executive Office

SUBMITTAL DATE:
May 10, 2004

SUBJECT: Community Facilities District No. 88-8 ("A" Street - North) Workout Protocol Agreement by and between the County of Riverside and Majestic Oakwood, LLC, a Delaware limited liability company.

RECOMMENDED MOTION: That the attached Agreement by and between the County of Riverside, and Majestic Oakwood, LLC a Delaware limited liability company be approved and the Chairman be authorized to execute said Agreement on behalf of the County.

BACKGROUND: Community Facilities District No. 88-8 (the "District") is a largely undeveloped industrial park for which special tax bonds in the amount of \$24,000,000 have been sold and issued. The District is currently experiencing a high delinquency rate in the payment of special taxes of seventy-two percent (72%). In 2003, Majestic Realty Co. ("Majestic") approached the District and the County with a proposal that would rescue the District through acquisition of delinquent parcels and redemption of the delinquent special taxes.

On Dec. 2, 2003, the Board of Supervisors approved a Deposit and Reimbursement Agreement with Majestic to deposit moneys with the District which will pay the costs associated with evaluating their proposal, and hiring consultants to begin the redemption process. The proposal would also require the formation of a new or overlapping community facilities district and issuance of refunding bonds.

(Continued on Page 2)

Jerry Norris
Jerry Norris, Senior Management Analyst

FORM APPROVED
COUNTY COUNSEL

MAY 11 2004

Departmental Concurrence

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	No
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
Annual Net County Cost:	\$ 0	For Fiscal Year:	2004

SOURCE OF FUNDS: N / A

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE

County Executive Office Signature

Rhonda King

- Dep't Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: | District: 1 | Agenda Number:

**ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD**

3.4

On January 27, 2004, the Board of Supervisors, acting as the Legislative Body of CFD 88-8, adopted Resolution No. CFD 2004-01 which called a special election of the property owners seeking authorization for the Legislative Body of the District to reserve to itself the right and authority to allow the Tender of Bonds in payment of the Special Taxes within the District.

On May 18, 2004, staff will present an Inducement, Escrow and Workout Agreement to the Board of Supervisors, acting as the Legislative Body of CFD 88-8, for consideration and approval. This agreement sets forth the terms and conditions by which Majestic will acquire parcels within the district and pay the delinquent special taxes, as well as the terms for the formation of a new or overlapping community facilities district and issuance of refunding bonds. District staff believes that the Workout Agreement offers a realistic opportunity to cure the delinquencies within the District and to bring the outstanding matured bonds current.

On June 30, 1987, the Board of Supervisors adopted Resolution No. 87-192 which delegated to the County Treasurer-Tax Collector the Board's authority under Section 4986.3 of the California Revenue and Taxation Code, attached as "Exhibit A", to order the County Auditor-Controller to cancel "any uncollected tax, penalties and costs" (the "*Ad Valorem* Taxes") on property acquired by a Special District through a foreclosure proceeding, and, at the request of the County Counsel, waived the requirement that County Counsel provide written consent to the cancellation of the *Ad Valorem* Taxes.

Cancellation of the taxes will allow the District to sell the parcels for the amount of delinquent special taxes, and would provide sufficient funds to repay the bondholders of the District those amounts owed in back interest and principal payments. To date the amount owed to those bondholders is approximately \$11,915,000. The total dollar amount of the cancellation is \$1,083,822 consisting of \$534,283.57 for taxes and \$549,538.69 for penalties, interest and costs, attached as "Exhibit B". By bringing the taxes current, the developer will be able to develop the parcels, which will bring in future *ad valorem* taxes where currently none are received.

The Protocol Agreement has been reviewed and acknowledged by the Treasurer-Tax Collector and the Auditor Controller. The terms of the agreement comply with the Treasurer-Tax Collectors Policy No. 2003-1, which is attached as "Exhibit C".

"EXHIBIT "A"

4986.3. All or any portion of any uncollected tax, penalty, or costs, heretofore or hereafter levied, and not heretofore validly canceled, may, on satisfactory proof, be canceled by the auditor on order of the board of supervisors with the written consent of the district attorney if it was levied or charged on property subject to assessment or special taxes for the payment of bonds issued under the Improvement Bond Act of 1915 (Division 10 (commencing with Section 8500) of the Streets and Highways Code) or the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Division 2 of Part 1 of Title 5 of the Government Code) where that property was acquired after the lien date by a city on foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982. If a city is entitled to bring foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982 against any property and the city acquires the property in any other manner than by foreclosure and the governing body of the city by resolution, covering any number of parcels acquired, declares that the acquisition was in lieu of acquisition under foreclosure proceedings, that acquisition is, for the purposes of this section, an acquisition by foreclosure proceedings under the Improvement Bond Act of 1915 or the Mello-Roos Community Facilities Act of 1982. This section applies regardless of whether the property acquired by the city is impressed with a public trust or is acquired for the purpose of resale. As used in this section, "city" means any city, county, city and county, special district, school district, joint powers authority, or any other municipal corporation, district, or political subdivision of the state.

4986.4. Whenever any property has been deeded to the Veterans' Welfare Board pursuant to Division 4 of the Military and Veterans Code and a petition has been filed with any county or city for the cancellation of taxes pursuant to this article, the district attorney or city attorney, as the case may be, shall investigate the facts stated in the petition, and if he finds them to be true, shall approve the petition and recommend to the legislative body that the taxes described in the petition be canceled.

4986.5. When real property is distributed by description to the State after the lien date because there are no known heirs or because the estate or any portion thereof is to be distributed to heirs, devisees, or legatees whose whereabouts are unknown, taxes upon such real property shall not be paid for a period of five years after the date of entry of the decree of distribution except as provided in this section.

(a) If five years after the date of entry of the decree of distribution elapse without claim by the heirs of decedent or other persons entitled to make such claim, all taxes shall be canceled by the auditor on order of the board of supervisors with the written consent of the district attorney.

(b) If during the five-year period the real property is claimed by the heirs of decedent or other persons entitled to make such claim, all taxes upon such real property become due upon the approval of the claim, and shall be collected in the manner provided by law.

(c) If during the five-year period the State sells the real

EXHIBIT B
Delinquent Tax Calculations

NAME	APN	Acreage	Delinquent Ad Valorem Taxes	Ad Valorem Penalties, Interest and Costs To Mar. 31, 2004	Total Delinquent Ad Valorem Taxes, Penalties Interest and Costs	Delinquent CFD 88-8 Special Taxes
Barbat	295-310-022-2	10.16	7,378.34	6,300.25	13,678.59	114,107.24
Kang	295-310-035-4	2.16	12,013.92	13,179.50	25,193.42	31,815.16
Shell	295-310-041-9	1.11	4,292.50	4,905.15	9,197.65	13,922.24
Shell	295-310-042-0	1.10	4,291.20	4,904.04	9,195.24	13,796.84
S P V Real Estate	295-310-043-1	2.32	2,420.08	1,354.34	3,774.42	18,271.20
Lion Nathan Munson	314-040-004-2	19.13	97,977.57	125,526.26	223,503.83	1,572,628.95
Zopf	314-040-031-6	0.90	658.02	785.11	1,443.13	9,042.80
Lion Nathan Munson	314-051-013-4	19.55	106,229.27	133,174.44	239,403.71	1,622,419.86
Thomas & Mack Co. LLC	314-110-004-8	9.67	14,115.25	20,030.92	34,146.17	110,615.34
Thomas & Mack Co. LLC	314-110-064-2	9.19	28,080.68	35,951.85	64,032.53	217,764.46
Herring	314-110-066-4	9.53	15,047.52	9,527.56	24,575.08	839,745.55
Sirocco	314-130-026-0	2.29	19,058.97	24,661.30	43,720.27	40,176.08
Thomas	314-260-001-9	0.23	229.14	210.82	439.96	16,853.38
Thomas	314-260-002-0	0.31	251.46	223.95	475.41	22,714.72
Thomas	314-260-003-1	0.22	226.24	209.11	435.35	16,120.67
Thomas	314-260-004-2	0.27	240.22	217.36	457.58	19,784.03
Thomas	314-260-005-3	0.30	248.66	222.32	470.98	21,982.10
Thomas	314-260-006-4	0.23	229.14	210.82	439.96	16,853.38
Thomas	314-260-007-5	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-260-008-6	0.25	234.70	214.09	448.79	18,318.72
Thomas	314-260-009-7	0.64	344.12	278.51	622.63	46,892.98
Thomas	314-260-010-7	0.70	360.96	288.41	649.37	51,289.04
Thomas	314-260-011-8	0.61	335.58	273.49	609.07	44,694.97
Thomas	314-260-012-9	1.34	597.00	427.59	1,024.59	98,180.16
Thomas	314-260-013-0	2.00	891.24	601.40	1,492.64	146,536.60
Thomas	314-260-014-1	1.29	574.64	414.30	988.94	94,516.74
Thomas	314-260-015-2	0.87	408.66	316.50	725.16	63,863.24
Thomas	314-270-001-0	0.29	245.84	220.66	466.50	21,249.38
Thomas	314-270-002-1	0.23	229.14	210.82	439.96	16,853.38
Thomas	314-270-003-2	0.32	254.26	225.59	479.85	23,447.43
Thomas	314-270-004-3	0.57	324.38	266.88	591.26	41,764.26
Thomas	314-270-005-4	0.78	383.40	301.62	685.02	57,150.43
Thomas	314-270-006-5	0.53	313.16	260.26	573.42	38,833.55
Thomas	314-270-007-6	0.29	245.84	220.66	466.50	21,249.38
Thomas	314-270-008-7	0.29	245.84	220.66	466.50	21,249.38
Thomas	314-270-009-8	1.12	498.84	369.55	868.39	82,061.33
Thomas	314-270-010-8	0.67	352.50	283.42	635.92	49,091.01
Thomas	314-270-011-9	0.53	313.16	260.26	573.42	38,833.55
Thomas	314-270-012-0	0.56	321.60	265.26	586.86	41,031.58
Thomas	314-270-013-1	0.61	335.58	273.49	609.07	44,694.97
Thomas	314-270-014-2	0.60	332.88	271.91	604.79	43,962.29
Thomas	314-270-015-3	0.65	346.98	280.18	627.16	47,625.69
Thomas	314-270-016-4	0.27	240.22	217.36	457.58	19,784.03
Thomas	314-270-017-5	0.27	240.22	217.36	457.58	19,784.03
Thomas	314-270-018-6	0.41	279.44	240.41	519.85	30,041.49
Thomas	314-270-019-7	0.42	282.30	242.10	524.40	30,774.18
Thomas	314-270-020-7	0.36	265.46	232.19	497.65	26,378.12
Thomas	314-270-021-8	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-270-022-9	0.23	229.14	210.82	439.96	16,853.38
Thomas	314-270-023-0	0.23	229.14	210.82	439.96	16,853.38
Thomas	314-270-024-1	1.19	530.06	388.03	918.09	87,190.03
Thomas	314-270-025-2	0.73	369.32	293.32	662.64	53,487.05
Thomas	314-280-001-1	0.83	397.40	309.86	707.26	60,813.76
Thomas	314-280-002-2	0.85	403.06	313.18	716.24	62,279.11
Thomas	314-290-001-2	1.16	516.72	380.12	896.84	84,991.98
Thomas	314-290-002-3	0.82	394.60	308.23	702.83	62,279.11
Thomas	314-290-003-4	2.01	895.46	603.87	1,499.33	147,269.29
Thomas	314-290-004-5	1.99	886.54	598.60	1,485.14	145,804.00
Thomas	314-290-005-6	1.98	882.20	596.01	1,478.21	145,071.28
Thomas	314-290-006-7	0.90	417.00	321.40	738.40	65,942.46

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NAME	APN	Acreage	Delinquent Ad Valorem Taxes	Ad Valorem Penalties, Interest and Costs To Mar. 31, 2004	Total Delinquent Ad Valorem Taxes, Penalties Interest and Costs	Delinquent CFD 88-8 Special Taxes
Thomas	314-290-007-8	0.83	397.40	309.86	707.26	60,813.76
Thomas	314-290-008-9	0.42	282.16	242.03	524.19	30,774.18
Thomas	314-290-009-0	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-290-010-0	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-290-011-1	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-290-012-2	0.35	262.70	230.57	493.27	25,645.43
Thomas	314-290-013-3	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-290-014-4	0.24	231.88	212.41	444.29	17,586.02
Thomas	314-290-015-5	0.32	254.26	225.59	479.85	23,447.43
Thomas	314-290-016-6	0.56	321.60	265.26	586.86	41,031.58
Thomas	314-290-017-7	0.64	344.12	278.51	622.63	46,892.98
Thomas	314-290-018-8	0.54	316.02	261.96	577.98	39,566.21
Thomas	314-290-019-9	0.72	366.50	291.70	658.20	52,754.35
Thomas	314-290-020-9	0.31	251.46	223.95	475.41	22,714.72
Thomas	314-290-021-0	0.41	279.44	240.41	519.85	30,041.49
Thomas	314-300-001-2	8.12	3,619.74	2,213.24	5,832.98	594,932.99
Thomas	314-300-002-3	6.85	3,052.64	1,878.27	4,930.91	501,883.38
Thomas	314-300-003-4	3.67	1,635.32	1,041.01	2,676.33	268,893.14
Thomas	314-300-004-5	2.78	1,238.84	806.75	2,045.59	203,685.14
Thomas	314-310-001-3	0.46	293.62	248.78	542.40	8,764.49
Thomas	314-310-002-4	0.69	358.16	286.74	644.90	47,076.31
Thomas	314-310-003-5	2.05	913.32	614.44	1,527.76	150,199.98
Thomas	314-310-004-6	1.49	663.84	466.99	1,130.83	109,170.27
Thomas	314-310-005-7	2.77	1,234.30	804.11	2,038.41	202,952.46
R & R Financial	317-100-010-3	2.13	3,554.52	1,401.96	4,956.48	186,155.16
R & R Financial	317-100-011-4	2.21	3,529.02	1,410.26	4,939.28	193,146.76
R & R Financial	317-100-012-5	2.21	3,529.02	1,410.26	4,939.28	193,146.76
R & R Financial	317-100-013-6	2.21	3,529.02	1,410.26	4,939.28	193,146.76
Williams	317-100-014-7	2.21	16,507.84	19,988.90	36,496.74	172,281.06
TIP Properties	317-100-015-8	2.38	3,534.40	1,397.08	4,931.48	65,552.68
R & R Financial	317-100-016-9	5.73	8,666.34	3,386.00	12,052.34	556,161.54
R & R Financial	317-100-017-0	4.84	7,406.58	2,941.88	10,348.46	422,996.02
R & R Financial	317-100-018-1	3.15	5,046.80	1,985.35	7,032.15	275,298.24
R & R Financial	317-100-019-2	10.02	14,219.06	5,568.43	19,787.49	875,702.94
Reddy	317-100-020-2	6.33	4,947.54	1,510.54	6,458.08	528,374.58
R & R Financial	317-100-021-3	1.93	3,192.90	1,267.52	4,460.42	168,676.14
R & R Financial	317-100-022-4	3.01	4,814.62	1,900.78	6,715.40	263,062.88
Amor	317-100-023-5	3.42	5,944.64	2,960.15	8,904.79	298,894.88
R & R Financial	317-100-024-6	2.87	4,677.68	1,834.96	6,512.64	250,827.58
MacTavish & MacDuff	317-100-025-7	2.02	26,559.18	38,686.78	65,245.96	171,673.08
MacTavish & MacDuff	317-100-026-8	1.97	25,937.99	37,837.10	63,775.09	167,423.84
R & R Financial	317-100-027-9	2.12	3,396.70	1,359.23	4,755.93	185,281.20
R & R Financial	317-100-028-0	2.16	3,462.38	1,384.53	4,846.91	188,777.04
R & R Financial	317-100-029-1	3.70	5,830.62	2,268.58	8,099.20	323,365.56
Reddy	317-110-020-3	3.93	4,311.40	1,296.47	5,607.87	328,044.70
R & R Financial	317-110-022-5	1.96	3,226.80	1,288.88	4,515.68	171,297.96
R & R Financial	317-110-023-6	3.77	6,003.66	2,355.11	8,358.77	329,483.20
R & R Financial	317-110-024-7	4.88	7,598.36	2,958.62	10,556.98	426,491.80
R & R Financial	317-110-025-8	2.84	4,517.82	1,804.10	6,321.92	248,205.70
R & R Financial	317-110-026-9	2.31	3,693.32	1,483.63	5,176.95	201,886.30
GRAND TOTALS		241.03	534,283.57	549,538.69	1,083,822.26	16,917,297.53

OFFICERS
PAUL McDONNELL
TREASURER
ROCHELLE JOHNSON
ASSISTANT TAX COLLECTOR
DON KENT
ASSISTANT TREASURER
TOM MULLEN
CHIEF DEPUTY



PAUL McDONNELL
TREASURER

OFFICERS
SUE BAUER
CHIEF DEPUTY
MIKE FULKERSON
CHIEF DEPUTY
GARY COTTERILL
CHIEF DEPUTY
JON CHRISTENSEN
CHIEF DEPUTY

"EXHIBIT "C"

Policy Number: 2003-1

Subject: Cancellation of Taxes (R & T Code Section 4986.3)

Effective: November 6, 2003

Approved by: Paul McDonnell

Treasurer-Tax Collector Policy Regarding Revenue and Taxation Code Section 4986.3.

Background and Legal Authority: Revenue and Taxation Code Section 4986.3 was established to provide counties with another means to address the challenge presented by properties which are burdened by debt. This section allows for the cancellation by the Board of amounts owed, presumably with the concurrence and recommendation of the Tax Collector.

Conditions: The following conditions must be met before the Treasurer-Tax Collector will support and recommend to the Board the use of this section.

- 1) The related Bond District must meet the requirements established by and in accordance with the California Revenue and Taxation Code Section 4986.3.
- 2) The Bond District will write off amounts owed to it as much as is practical, given relevant bond holder covenants.
- 3) The cancellation must be in the best interest of the public, county, city and special assessment district.
- 4) The proposed transaction must have a viable development plan.
- 5) The amount of cancellation must be reasonable.

RIVERSIDE COUNTY TREASURER

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