

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM
“SCIP”

MANUAL OF PROCEDURES

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**STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM
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EXECUTIVE SUMMARY

Introduction

Capitalized terms used in this Manual have the meanings given under the tab, “Glossary of Terms.”

The Statewide Community Infrastructure Program (“SCIP”) is a program of the California Statewide Communities Development Authority (the “Authority”). The Authority is a joint powers authority. Membership in the Authority is open to every California city, county and local agency, and most are already members.

SCIP financing is available for development projects (“Projects”) situated within jurisdictions that have elected to become SCIP participants (each, a “Local Agency”). Eligibility to become a participating Local Agency requires only (a) membership in the Authority, and (b) adoption of a resolution making the election (the “SCIP Resolution”). There are no membership fees.

Participation in SCIP entails the submission of an application (an “Application”) by the property owner or developer (the “Applicant”). For Projects determined to be qualified, SCIP provides non-recourse financing of either (a) eligible development impact fees, capacity charges or other development related fees payable to a Local Agency (the “Fees”) or (b) eligible public capital improvements to be owned by a Local Agency (the “Improvements”) or both.

At the Local Agency’s election, and with the consent of the property owner for a Project, a CFD may also fund public services, provided that bonds and local obligations may not be issued to fund public services.

Applicants benefit from SCIP because it allows them to obtain low-cost, long-term financing of Fees and Improvements, which can otherwise entail substantial cash outlays. The Local Agencies benefit from SCIP because it encourages developers to pay Fees sooner and in larger blocks than they otherwise would. The availability of low-cost, long-term financing also softens the burden of rising Fee amounts and Improvement costs, benefiting both the Applicants and the Local Agencies.

General Structure of SCIP Pool

Applications are collected three times per year, generally December, April and August for issuance the following May, September and December. Timing and quantity of issuances depends upon demand and market conditions. Upon receipt of a completed Application, the SCIP team reviews it to determine (a) general eligibility of the Fees and Improvements for which the Applicant seeks financing and (b) creditworthiness of the Applicant and the Project. The Authority issues revenue bonds (the “Bonds”) to finance Fees and/or Improvements for qualifying Projects located throughout the state.

Revenues to pay debt service on the Bonds are derived by the Authority in one of two ways – namely (1) through the levy of special assessments on the parcels which comprise the participating Projects by establishing one or more assessment districts (each, an “Assessment District”) pursuant to the Municipal Improvement Act of 1913 (the “Assessment Act”) or (2) through the levy of special taxes on the Project parcels by establishing a community facilities district (a “CFD” and together with the Assessment Districts, the “Districts”) pursuant to the Mello-Roos Community Facilities Act of 1982 (the “CFD Act”). The decision between Assessment District and CFD shall be made in consultation with the Applicant, Property Owner, Assessment Engineer/Special Tax Consultant and SCIP Underwriter.

Assessment Districts and CFDs

The Authority forms an Assessment District or CFD for each Project. The Assessment Installments or facilities Special Taxes will be billed and collected on the applicable county property tax roll in amounts sufficient to pay annual debt service on the Bonds, together with certain administrative costs of SCIP.

Assessment Installments and Special Taxes are non-recourse to the property owner and follows the parcel upon change of ownership. As with a conventional assessment district and community facilities district, the property owner retains the right to pay off the Assessment or facilities Special Tax at any time and thereby discharge the lien which secures payment. Services Special Taxes are collected in perpetuity and cannot be paid off.

A major advantage of SCIP for Local Agencies is that the Authority handles all of the proceedings for the formation of the Districts, levy of the Assessment Installments or Special Taxes, issuance of the Bonds and administration of collection and enforcement. Furthermore, the proceeds of sale of the Bonds are administered by a trustee bank (the "Trustee") until used to reimburse payments made by the Applicant or requisitioned by the Local Agency to pay Fees or to acquire completed Improvements, as the case may be.

The duties of staff of Local Agencies are correspondingly reduced and relate primarily to making developers aware of the availability of the SCIP program, making application forms available to interested developers, confirming the status of Projects for which Applications have been submitted, confirming the Fee, Improvement and Services obligations for qualified Projects, determining when Improvements are completed and therefore ready for acquisition, monitoring Fee credits for Projects, and submitting requests to the Trustee for disbursement of SCIP funds to pay Fees and to acquire completed Improvements for Projects which have been funded. In addition, when Improvements are financed, the Local Agency will be required to enter into an "Acquisition Agreement" with the Applicant to provide the terms and conditions governing the acquisition of completed Improvements.

Fee Eligibility

To be eligible for SCIP financing, Fees must meet three conditions – namely, (1) they must be payable as conditions of development approval for the Project or, in connection with an Assessment District, fees must otherwise provide special benefit to the Project, and (2) proceeds of the fees must be expended for public improvements which themselves would be eligible for SCIP financing, though the public improvements need not be related to or required for the Project. Fees may be funded from proceeds of tax-exempt bonds if the public improvements on which fees have been or will be spent would be eligible for tax-exempt financing, which generally means that fees paid by a developer to a Local Agency in advance of a bond issuance must have been spent by the Local Agency no more than 60 days prior to the date that the project proponent submitted an application for SCIP financing.

Fee Credits and Reimbursements

Bond proceeds are allocated to specific Fees as specified in the final Trust Agreement and related closing documents. The Local Agency will be provided with the total funded amounts and a spreadsheet to track the amount of the credit as allocated to each Project.

Reimbursement of Fees Paid Prior to Bond Issuance. Eligible Fees paid by the Applicant to a fee recipient prior to the issuance of Bonds are eligible for reimbursement to the Applicant from Bond proceeds.

Applicants receive reimbursement of such Fees funded on a tax-exempt basis when one of the following occurs (i) the fee recipient certifies that it has spent an amount equal to such prepaid Fees, (ii) the fee recipient transfers such prepaid impact fees to the Trustee, or (iii) the fee recipient directly reimburses the Applicant for the prepaid fees. The prepaid impact fees are considered “spent” if the fee recipient has made an expenditure on an otherwise eligible public capital improvement from the fee fund. Applicants receive reimbursement of such Fees funded on a taxable basis upon issuance of the Bonds.

Fees Prefunded from Bond Proceeds. Bond proceeds allocated to fees not paid by the Applicant prior to the Closing Date shall be treated as a credit against the funded Fees. All amounts prefunded from Bond proceeds are deemed paid by the Applicant to the fee recipient on the date of closing of the Bonds, regardless of the Applicant’s timeline for pulling building permits or other fee payment due dates in the future. Unless a separate agreement has been entered into between the Applicant and the fee recipient, any increases in the amounts of the Fees after issuance of Bonds remains the Applicant’s responsibility.

In limited circumstances, the Program Administrator will, upon request of the fee recipient and with approval of the Commission, track and administer fee credits. In such circumstances, the fee recipient shall periodically confirm amounts of eligible expenditures and the Program Administrator will reimburse Applicants upon receipt of satisfactory evidence of payment of funded Fees up to the amount of confirmed expenditures from time to time. In these cases, it is the responsibility of the fee recipient to periodically track and report expenditures from its applicable fee funds on public capital improvements to the Program Administrator, but the fee recipient will collect the Fees in the ordinary course of business.

Fees Recipient Access to Bond Proceeds. All amounts held by the Trustee, whether from prepaid impact fees or bond proceeds, belong to the fee recipient and are immediately available for expenditure by the fee recipient to pay for eligible capital improvements, provided the fee recipient is administering and tracking fee credits for the Project. SCIP encourages the fee recipient to spend those amounts as quickly as possible, and before any other fee revenues of the fee recipient.

Financing Eligible Improvements

To be eligible for SCIP financing, Improvements must meet three conditions – namely, (1) they must be required as conditions of development approval for the Project or otherwise provide special benefit to the Project, (2) they must not have been accepted by and the ownership of them already transferred to the Local Agency or other local agency prior to submission of the completed Application and (3) they must be the kinds of public improvements authorized to be financed under the Assessment Act or CFD Act, as applicable. Generally, horizontal public improvements which are required as conditions of Project approvals are eligible (e.g., roads, street lights, landscaping, storm drains, water and sewer facilities, and parks).

As mentioned above, the Authority will require that an Acquisition Agreement be entered into between the Local Agency and the Applicant to provide the terms and conditions governing the acquisition of completed Improvements. The Acquisition Agreement is drafted by the SCIP team, using a form of agreement approved by the Local Agency as part of its SCIP Resolution, as modified to suit the particular circumstances and Local Agency requirements.

Conclusion

The information and materials which follow in this Manual are intended to assist interested persons in further understanding SCIP and how it might be utilized to finance Fees and Improvements associated with a given Project.

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Glossary of Terms

Capitalized terms used in this Manual have the meanings given below, unless the context requires otherwise.

Acquisition Agreement means the agreement between the Local Agency and the Applicant, in substantially the form approved by the Local Agency, and providing the terms and conditions upon which the Applicant will be reimbursed all or a portion of the cost and expense of Eligible Improvements completed by the Applicant, all as more fully provided by and subject to the limitations set forth in the agreement. A form of approved Acquisition Agreement may be obtained upon request from SCIP Counsel.

Applicant means a person who applies for financing of Eligible Fees and/or Eligible Improvements through SCIP.

Application means a completed application for financing of Eligible Fees and/or Eligible Improvements, submitted by a Property Owner to the Program Administrator.

Appraisal means an appraisal of one or more Assessed Parcels prepared by an independent professional appraiser who is a Member of the Appraisal Institute (MAI), and is selected by the Authority from an approved list on file with the Authority.

Appraised Value means the market value of an Assessed Parcel as shown in an Appraisal.

Assessed Parcel means a parcel of land subject to or proposed to be subject to an Assessment. Each Assessed Parcel must be a legal parcel in compliance with the Subdivision Map Act. Individual condominium units in a condominium project will be deemed legal parcels for this purpose once a separate Assessor's Parcel Number has been assigned to each condominium unit in the condominium project by the County Assessor for the County in which the condominium project is located.

Assessed Value means the assessed value (land and improvements) of an Assessed Parcel as shown on the most recent equalized assessment roll (including any supplemental roll) of the County in which the Assessed Parcel is located.

Assessment means a special assessment levied by the Authority on property pursuant to the Assessment Act.

Assessment Act means the Municipal Improvement Act of 1913, being Division 12 of the Streets & Highways Code of the State.

Assessment/Special Tax Administrator means David Taussig & Associates, Inc., dba DTA or any successor firm appointed by the Authority as the Assessment/Special Tax Administrator for SCIP.

Assessment Bond Act means the Improvement Bond Act of 1915, being Division 10 of the Streets & Highways Code of the State.

Assessment District means an assessment district formed by the Authority pursuant to the Assessment Act for the purpose of financing Eligible Fees and/or Eligible Improvements through the issuance of Local Obligations.

Assessment Engineer means David Taussig & Associates, Inc. dba DTA or any successor firm appointed by the Authority as the Assessment Engineer for SCIP.

Assessment Installment means an annual installment payable with respect to an unpaid Assessment and consisting of principal, interest and administrative charges.

Authority means the California Statewide Communities Development Authority, a joint exercise of powers authority duly established pursuant to the laws of the State.

Bond Documents means, with respect to each Program Series, the Revenue Bond Resolution, Trust Agreement, Local Obligation Resolution, Bond Purchase Agreement, Continuing Disclosure Agreement, Preliminary and final Official Statement, Escrow Agreement (in the case of refundings), and any and all other documents deemed necessary by SCIP Counsel to the authorization, sale and issuance of Bonds.

Bonds means bonds issued by the Authority for SCIP under the Revenue Bond Act, the proceeds of sale of which are applied to the purchase of the Local Obligations of the applicable Program Series.

Capital Costs means costs properly chargeable to a capital account pursuant to generally accepted accounting principles incurred for either (1) public capital improvements legally payable from Eligible Fees or (2) Eligible Improvements.

CFD means a community facilities district established pursuant to the CFD Act.

CFD Act means the Mello-Roos Community Facilities Act of 1982.

Closing Date means the date on which the Bonds for a Program Series are initially delivered to the SCIP Underwriter.

Costs of Issuance means, with respect to each Program Series, all costs of issuing the Bonds and the Local Obligations, including without limitation costs of appraisals, engineer's reports, apportionment fees, absorption studies, credit enhancement (such as bond insurance), rating agency fees, underwriter's discount, legal fees and expenses, Authority fees and expenses, trustee fees and expenses, printing, publication, document reproduction, filing and recording costs and any other cost related to the issuance of the Bonds or the Local Obligations. Costs of issuance may also include an amount calculated by the Authority as the amount necessary to pay Program Administration Costs through the first full fiscal year of each Program Series.

Local Agencies may include their reasonable administrative costs incurred in connection with participation in SCIP in Costs of Issuance.

Declaration of Official Intent to Reimburse means the written statement of the Local Agency, received in connection with the Application, declaring the intention to reimburse expenditures made by or on behalf of a Property Owner with respect to Eligible Fees or Eligible Improvements prior to issuance of Bonds of the applicable Program Series.

Eligible Impact Fee means a fee levied or collected by a Local Agency pursuant to a Fee Statute and otherwise meeting the requirements of Section 2.02.

Eligible Improvement means a public capital improvement authorized by the Assessment Act or CFD Act, as applicable, together with authorized incidental expenses associated therewith, and otherwise meeting the requirements of Section 2.02.

Eligible Services means public services authorized by the CFD Act and otherwise meeting the requirements of Section 2.03.

Fee Account means the separate account for each category of Eligible Fees established by the SCIP Trustee for each Local Agency pursuant to Article VI.

Fee Statute means the Mitigation Fee Act (California Government Code Sections 66000 and following) or any other State law or local legislation imposing fees on new development to pay for the Capital Costs of public capital improvements.

Foreclosure Counsel means any attorney or firm of attorneys designated from time to time by the Legislative Body to act as counsel to the Authority in prosecuting foreclosure actions in connection with SCIP.

Legislative Body means the Commission of the Authority.

Local Agency means a city, county, city and county, or other special district or agency which is a member of the Authority and has an effective SCIP Resolution in place.

Local Agency Account means the subaccount established by the SCIP Trustee, as described in Section 6.01.

Local Obligation Resolution means a resolution of the Authority authorizing the issuance of Local Obligations.

Local Obligations means limited obligation improvement bonds and special tax bonds issued by the Authority under the Assessment Bond Act or CFD Act, as applicable, for SCIP and pledged as security for Bonds of a given Program Series.

Program Administration Costs means all costs of administering each Program Series, including fees and expenses of the Program Administrator, Assessment/Special Tax Administrator, SCIP Counsel, Foreclosure Counsel and any other costs or expenses of administering each Program Series.

Program Administration Fund means the fund established by the SCIP Trustee for the payment of Program Administration Costs.

Program Administrator means BLX Group LLC, or any successor firm appointed by the Authority as the Program Administrator for SCIP.

Program Series means an individual series of Bonds to be issued to fund an Application or a group of Applications, as shall be determined by the Authority, or a series of Bonds issued to refund any Program Series.

Project means a development project being undertaken by an Applicant within a Local Agency which has been conditioned upon either (a) payment of impact fees or (b) construction and installation of public capital improvements or both and for which an Application for SCIP financing of Eligible Fees and/or Eligible Improvements has been submitted by an Applicant.

Property Owner means the legal owner(s) of property subject to an Assessment or Special Tax or for which an Application has been filed.

Pro-Rata Share means a percentage determined by dividing the amount of the assessment for an Assessed Parcel by the total amount of assessment being financed in the applicable Program Series.

Refunding Bonds means Bonds issued pursuant to the Refunding Dividend Program.

Refunding Dividend Program is the SCIP program described in Section 5.06.

Reserve Requirement means, with respect to the Bonds issued for any Program Series, the amount required to be maintained in the Reserve Account within the Revenue Fund for such Program Series. The Reserve Requirement will normally be equal to the maximum annual debt service on the Bonds for the Program Series; however the Authority may determine to establish a lower Reserve Requirement for any Program Series if feasible.

Revenue Bond Act means Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State.

Revenue Bond Resolution means a resolution of the Authority authorizing the issuance of revenue bonds.

Revenue Fund means the fund by that name established by the SCIP Trustee under each Trust Agreement for a Program Series, including the following subaccounts: the Interest Account, the Principal Account and the Reserve Account.

SCIP means the Authority's development impact fee and public capital improvement financing program known as the "Statewide Community Infrastructure Program."

SCIP Counsel means Orrick, Herrington & Sutcliffe LLP, or such other attorney or firm of attorneys who are nationally recognized bond counsel selected and appointed by the Authority.

SCIP Resolution means a resolution of the governing body of a Local Agency authorizing the Authority to form Assessment Districts and/or CFDs within its jurisdictional boundaries.

SCIP Timetable means the time schedule for each Program Series as approved by the Authority.

SCIP Trustee means Wilmington Trust, National Association, or any successor appointed by the Authority as Trustee for SCIP.

SCIP Underwriter means RBC Capital Markets or any successor firm(s) appointed by the Authority as the underwriter(s) for SCIP.

Special Tax means the special tax required to be levied in accordance with proceedings for formation of any CFD.

Special Tax Consultant means David Taussig & Associates, Inc. dba DTA or any successor firm appointed by the Authority as the Special Tax Consultant for SCIP.

State means the State of California.

Subdivision Map Act means the provisions of Division 2 of Title 7 of the Government Code of the State, commencing at Section 66410.

Trust Agreement means a trust agreement, indenture, or similar instrument which secures and provides the terms for issuance and administration of a given Program Series.

1.01 Eligibility

Any California city, county, city and county and certain other local agencies (a “Local Agency”) may participate in SCIP if it is a member of the Authority prior to or concurrently with joining SCIP.

In certain circumstances, local agencies that are not a city or county will be ineligible to participate in the pooled financings unless the city or county with land use jurisdiction over the Project has also adopted a SCIP Resolution.

1.02 SCIP Resolution

To participate in SCIP, the Local Agency must adopt, after a public hearing, a SCIP Resolution authorizing the Authority to form applicable Assessment Districts and/or CFDs within its jurisdictional boundaries and must send a certified copy of such resolution to the Issuer and SCIP Legal Counsel. The resolution must remain in full force and effect so long as the Local Agency wishes to participate in SCIP. Current forms of the resolution, as well as sample staff reports and a form of notice of public hearing are available from Authority staff and SCIP Legal Counsel.

1.03 Withdrawal from SCIP

Any Local Agency may elect to withdraw from SCIP at any time by repealing the SCIP Resolution; provided, that such repeal shall not be effective as to any completed Application duly filed with the Program Administrator and not yet funded, without the consent of the Applicant. Upon withdrawal from SCIP, the Local Agency shall send a certified copy of the withdrawal resolution to the Authority and SCIP Legal Counsel.

II General Eligibility Requirements

2.01 General

The following criteria determine threshold eligibility for SCIP financing. Each Application is also subject to review for certain underwriting criteria, as described in Article III.

2.02 Eligible Fees

In order to be eligible for financing under SCIP, impact fees must meet the following criteria:

- (a) Fees must be levied under a Fee Statute.
- (b) Fees must be collected by a Local Agency and levied by either the Local Agency or another governmental entity as a condition of new development or, with respect to Assessment Districts, otherwise provide special benefit to the Project as determined by the Assessment Engineer and be payable at time of (i) granting of entitlements, (ii) issuance of a building permit, (iii) connection to a utility system, or (iv) issuance of a certificate of occupancy.
- (c) Fees must only be for the payment of Capital Costs of improvements to be owned by the Local Agency or another governmental entity.
- (d) Improvements to be funded with the Fees must be improvements that could be financed under the Assessment Act or CFD Act, as applicable.
- (e) Except where approved by the Local Agency and the Commission for an issuance of taxable Bonds, the Improvements to be funded with the Fees must be improvements eligible for tax-exempt financing under Section 103 of the Internal Revenue Code of 1986.
- (f) Minimum amount of impact fees to be financed per Local Agency must be \$500,000

2.03 Eligible Improvements

In order to be eligible for financing under SCIP, public capital improvements must meet the following criteria:

- (a) The public capital improvements must satisfy the special benefit requirement of the Assessment Act for any Assessment District or the Special Tax must be reasonably allocated to property benefited by the public capital improvement for any CFD.
- (b) The public capital improvements must be authorized under the Assessment Act or CFD Act, as applicable.
- (c) The public capital improvements must not have been completed and ownership transferred to the Local Agency or another governmental entity prior to submission

of a completed Application and issuance, in connection therewith, of a Declaration of Official Intent to Reimburse pertaining thereto.

- (d) Except where approved by the Local Agency and the Commission for an issuance of taxable Bonds, the Improvements must be eligible for tax-exempt financing under Section 103 of the Internal Revenue Code of 1986.
- (e) Minimum amount of improvements to be financed to be financed per Local Agency must be \$500,000

2.04 Eligible Services

In order to be eligible for financing under SCIP, public services must meet the following criteria:

- (a) The public services may only be funded through a CFD.
- (b) The public services must be in addition to, and may not supplant, services already provided within the boundaries of the Project.
- (c) The public services must be authorized under the CFD Act.

2.05 Eligible Property Owners

In order to apply for participation in SCIP, a Property Owner must meet the following criteria:

- (a) The Property Owner must be a natural person, partnership, limited liability company, or corporation in good standing holding, or with a contractual right to acquire, fee simple title in the proposed Assessed Parcel(s). The Applicant must either be the Property Owner or must have a contractual option to purchase the proposed Assessed Parcel.
- (b) If property is held as community property, tenants in common, or joint tenants, the Application must be signed by all owners or their authorized representative(s).
- (c) The Property Owner may not be any governmental or quasi-governmental entity; provided that on a case by case basis the Authority may approve participation by Projects that are in governmental ownership but intended to be sold to private parties after completion of Improvements and/or funding of Fees.
- (d) The Property Owner may not be the subject of any bankruptcy proceeding and must not have been adjudged bankrupt within the last 5 years.
- (e) Property tax payments on all property to be included in the District must have been current for the most recent 5 years.
- (f) The Property Owner has not defaulted or delinquent on any other SCIP District.

2.06 Eligible Property

In order for property to be eligible for SCIP, it must meet the following criteria:

- (a) The property must consist of one or more parcels each of which must be a legal parcel in compliance with the Subdivision Map Act.
- (b) The property must be within the boundaries of a City or County that is a participant with SCIP that concurs in the financing; provided that the Authority may make exceptions to this requirement for stand-alone projects.
- (c) The property must not be subject to any judgment lien, mechanics lien, or tax lien (other than for taxes levied but not yet due).
- (d) For formation of a CFD, the property must have zero registered voters.

2.07 Eligible Project

Each development Project must meet the following criteria to be eligible for SCIP:

- (a) The total of either Eligible Improvements or Eligible Fees must equal or exceed \$500,000 for participation in the SCIP pool. Projects for \$5,000,000 or more may be eligible for stand-alone financing, separate from the pool. Aggregating different development projects to meet the threshold is not acceptable.
- (b) Projects must have obtained all discretionary entitlements (other than design review) i.e. there must be an approved vesting tentative subdivision map (if the Project involves a major subdivision under the Subdivision Map Act), and/or conditional use permit (if required for the Project), including approved improvements plans, as applicable. In addition, the Applicant must provide evidence that all other discretionary permits, such as Army Corps of Engineers Section 404 permits, Fish and Game permits, and Fish and Wildlife permits and any other required permits for the development of the Project have been obtained, or evidence provided that such permits do not apply.

2.08 Waivers of Eligibility Requirements

The CSCDA Commission may, in its sole discretion, waive any one or more of the eligibility requirements described in this Section.

3.01 Application

An Applicant who wishes to finance either Eligible Fees or Eligible Improvements (or both) must complete and submit a SCIP Application and a Landowner Information Form available from the Authority’s website. The Applicant must submit the completed Application with all attachments and Landowner Information Form (together, the “Application”) to the Program Administrator, along with payment of the application fee as provided in Section 3.02 below.

The Local Agency shall have no responsibility for determining the sufficiency of the Application except to verify (i) the accuracy of the amounts and categories of the Eligible Fees and the items of Eligible Improvements and related estimated costs, as set forth in the Application, and (ii) that the Project approvals and entitlements described in the Application have been granted by the Local Agency.

SCIP staff will coordinate with the Local Agency in connection with each financing.

3.02 Application Fees

Applicants must pay an application fee (\$1,500 as of January 2026). The Application Fee may be adjusted from time to time by the Authority and the current fees are available upon request. The application fee must be included with the Application, with the check made payable to “California Statewide Communities Development Authority,” and is non-refundable. Application fees will be used for the payment of Program Administration Costs.

3.03 Application Review and Underwriting Criteria.

Completed Applications will be reviewed by SCIP Counsel and the SCIP Underwriter in accordance with the SCIP Timetable for the applicable Program Series. An Application can be approved, disapproved, or approved for partial funding.

In addition to demonstrating that all criteria are met for Eligible Fees, if any, Eligible Improvements, if any, eligible Property Owners and eligible property, the Application shall demonstrate the following:

- (a) Compliance with the California Environmental Quality Act must be established for the Project.
- (b) If the Application seeks reimbursement of Fees paid, a copy of each building permit obtained upon payment of the related Fees will be required.
- (c) All discretionary entitlements must be in place, i.e. there must be an approved vesting tentative subdivision map (if the Project involves a major subdivision under the Subdivision Map Act), and/or conditional use permit (if required for the Project), including improvements design plans, as applicable. In addition, the Applicant must provide evidence that all other discretionary permits, such as Army Corps of Engineers Section 404 permits, Fish and Game permits, and Fish and

Wildlife permits and any other required permits for the development of the Project have been obtained.

- (d) The Application must be submitted by the Property Owner (developers, contractors or other persons who are not Property Owners may not submit Applications unless they are signed by the Property Owner) or an individual with a contractual option to purchase the property.
- (e) Applications should be accompanied by a copy of the most recent property tax bill, if available. The Applicant must certify that it has not been more than 30 days delinquent in the payment of any assessment or special tax securing a bond within the last 5 years, and has never been delinquent in the payment of any assessment or special tax securing a SCIP bond.
- (f) Each Assessed Parcel must have a minimum Assessed Value or Appraised Value of at least 3 times the total assessment and other overlapping land secured debt. In most cases, the SCIP Underwriter will require an Appraisal by a certified MAI appraiser chosen by the SCIP Underwriter and approved by the Authority, using a bulk sale “as is” valuation, including the value of the Eligible Fees and Eligible Improvements being financed. All Appraisal costs must be paid by the Applicant in advance to the Program Administrator. If Bonds are issued, Appraisal costs may be reimbursed to the extent there are sufficient proceeds.
- (h) The Property Owner must not be the subject of any bankruptcy proceeding and must not have been adjudged bankrupt within the last 5 years.
- (i) The Authority, on recommendation from the SCIP Underwriter and SCIP Counsel, reserves the right to reject any Application if it believes, in its sole discretion, that the Assessed Parcel(s), the Project or the Property Owner poses undue credit risks. Each Applicant must authorize the Program Administrator to obtain a copy of a credit report from one or more nationally recognized credit reporting agencies, and may be required to provide copies of banking statements and/or tax returns.
- (j) All costs for preparation of an engineer’s report or rate and method of apportionment must be paid by the Applicant in advance to the Program Administrator. If Bonds are issued, such costs may be reimbursed to the extent there are sufficient proceeds.

3.04 Approval, Partial Approval and Rejection of Applications

The Program Administrator will advise each Applicant of the status of the Application in accordance with the SCIP Timetable for the applicable Program Series. The SCIP Timetable is available on the Authority’s website at www.cscda.org. Applications may either be (i) approved in full, (ii) approved for partial funding or (iii) rejected.

- (a) If an Application is approved in full, the Program Administrator will arrange for the applied-for reimbursement to the Property Owner for Eligible Fees paid prior to the issuance of Bonds and the applied-for funding of all unpaid Eligible Fees

and the applied-for funding of the estimated cost and expense of Eligible Improvements upon the issuance of the applicable Program Series.

- (b) If an Application is approved for partial funding, the Program Administrator will send the Applicant a notice indicating the amount of funding which has been approved and the reason(s) for partial funding. The Applicant may either (i) accept partial funding or (ii) opt out of the SCIP program.
- (c) If an Application is rejected, the Program Administrator will send a notice of rejection to the Applicant. Any application fees or other charges paid in connection with the Application are non-refundable.

If an approved Application includes Eligible Improvements, SCIP Counsel will initiate the preparation of an Acquisition Agreement substantially in the form attached to the SCIP Resolution of the Local Agency. SCIP Counsel will provide the approved form of Acquisition Agreement for each applicable Local Agency to the Applicant upon request. SCIP Counsel will coordinate with the Assessment Engineer/Special Tax Consultant to obtain the description and estimated costs pertaining to the Eligible Improvements (Exhibit A to the Acquisition Agreement) and will coordinate with the Applicant and the Local Agency to approve and execute the final form of the Acquisition Agreement.

4.01 Local Agency Requirements

Once the Local Agency has adopted a SCIP Resolution, normally it will not be necessary for the City Council, Board of Supervisors or Board of Directors of the Local Agency, as the case may be, to take any further action. Designated staff of the Local Agency will need to (a) coordinate with the Assessment Engineer/Special Tax Consultant and SCIP Counsel to confirm the Eligible Fees, Eligible Improvements and Eligible Services to be financed through each Assessment District or CFD, including verification of certain requirements for financing through tax-exempt bonds, (b) coordinate review, finalization and execution on behalf of the Local Agency of the Acquisition Agreement when Eligible Improvements are being financed, (c) monitor progress and completion of construction of Eligible Improvements for purposes of submitting reimbursement requisitions pursuant to the Acquisition Agreement, if any, (d) sign a closing certificate including certain representations for tax-exempt financings, the form of which is available from SCIP Counsel, (e) administer the requisition process for disbursement of those Eligible Fees which have been financed by the applicable Program Series, and (f) maintain records of expenditures of Special Taxes for Eligible Services, if any.

It may be necessary due to special circumstances or changes in law or in the SCIP procedures for the Local Agency to take some further action to facilitate financing of Eligible Fees and/or Eligible Improvements. In such case, all documentation and proceedings will be prepared by SCIP Counsel at no cost to the Local Agency and will be forwarded to the Local Agency for review and approval.

4.02 Property Owner Requirements

Property Owners must provide evidence of ownership of the property to be included within the proposed Assessment District or CFD and certify that ownership will not change between the date of notice of public hearing and public hearing. The Property Owner will receive ballots and waivers in the appropriate forms required to satisfy the provisions of the Assessment Act or CFD Act, as applicable.

In the event any Property Owner votes against or objects to formation of an Assessment District or CFD, the Application will be rejected in whole.

4.03 Proceedings – General

All proceedings for the establishment of Assessment Districts, CFDs and the issuance of Local Obligations and Bonds will be conducted by the Authority in full compliance with applicable constitutional and statutory provisions. Upon determining which Applications have satisfied the requirements of Article III for a Program Series, the Authority will conduct the proceedings to establish the Assessment Districts and CFDs. Boundaries of each Assessment District and CFD will be determined in consultation with the Applicant/Property Owner. Development projects may be separated into multiple phases with separate Assessment Districts or CFDs being formed for each separate phase, if determined to be desirable by the Authority.

4.04 Engineer's Reports and Rates and Methods of Apportionment

For each Assessment District, the Assessment Engineer will prepare an engineer's report containing the items required by Section 10204 of the Assessment Act. The engineer's report must be signed by a California registered professional engineer and must be filed with the Authority.

For each CFD, the Special Tax Consultant will prepare a rate and method of apportionment of Special Tax in sufficient detail for a property owner to calculate the tax upon their property. The Special Tax Consultant will further prepare a public hearing report that will be made available at the public hearing conducted by the Authority.

The Assessment Engineer/Special Tax Consultant will coordinate with the Property Owners, Local Agencies and other members of the SCIP team to determine the appropriate funding amounts and levels of Assessment and Special Tax.

4.05 Property Tax Levies

The Assessment/Special Tax Administrator shall, on an annual basis, coordinate with the Authority to place the levy of Assessment Installments and the Special Tax on the secured roll for each parcel of land within each Assessment District and Community Facilities District in the time and manner required to be included in the regular ad valorem property tax bill.

5.01 Financing Structure

Funding of SCIP through the pool will be accomplished through a two-step, simultaneous process involving first, the issuance of the Local Obligations under the Assessment Bond Act and second, the issuance by the Authority of Bonds under the Revenue Bond Act. The Bonds for each Program Series will be secured by the Local Obligations issued for each of the Assessment Districts and CFDs in the Program Series. By using this approach, the Authority will be pooling all of the Assessments into a blended security which will provide benefits through diversification of credit risk as well as economies of scale. The Local Obligations will be registered in the name of the SCIP Trustee and held as security for the Revenue Bonds. Assessment Installment and Special Tax payments will be applied to the payment of debt service on the Local Obligations, which will in turn be applied by the SCIP Trustee, as holder of the Local Obligations, to the payment of debt service on the Bonds.

5.02 Bond Documents

The Authority will approve a set of Bond Documents for each Program Series. Copies of the draft Bond Documents for each Program Series will be made available for review by any Local Agency or Applicant participating in the Program Series prior to the adoption thereof by the Authority; provided, that the Authority reserves the right to modify such Bond Documents thereafter.

5.03 Local Agency Closing Certificate

Each Local Agency which has an Assessment District or CFD in its jurisdiction for a Program Series will be required to execute and deliver to the Authority a closing certificate, dated as of the Closing Date in form and substance satisfactory to SCIP Counsel. A form of such certificate will be made available to the Local Agency prior to approval of the Bond Documents by the Authority.

5.04 Arbitrage Rebate

The Program Administrator will provide all required arbitrage rebate and yield restriction reporting services with respect to the Bonds, including preparing the necessary Internal Revenue Service (“IRS”) documentation and instructing the SCIP Trustee to make any required arbitrage rebate or yield reduction payments to the IRS.

5.05 Continuing Disclosure

The Program Administrator will provide the services necessary to ensure that the Authority will meet its continuing disclosure obligation with respect to the Bonds.

5.06 Refunding Dividend Program

The Authority reserves the right to refinance the Bonds for any Program Series if the Authority determines in its sole discretion that market conditions will allow the Authority to achieve significant savings of 4% or more from such refinancing after payment of all costs of issuance as determined by the Authority. Local Agencies may be asked to provide certain certifications or

agreements in connection with such refunding. Subject to applicable federal tax limitations, net savings generated from a refunding may be monetized in the refunding and in such case, each Local Agency may receive a pro rata credit for such savings in the appropriate SCIP Trustee account, and such credited amount may be withdrawn by the Local Agency to pay Capital Costs as provided in Article VI. Where savings are monetized and paid out to Local Agencies (subject to applicable federal tax limitations), the refunding will not result in a reduction of any Assessment, Assessment Installment-or Special Tax obligation.

6.01 Deposits to SCIP

Payments from the Local Agency to SCIP of Fees paid to it by the Applicants to be reimbursed, and Bond proceeds received by SCIP for prefunded Fees or for acquisition of Improvements, will be deposited with the SCIP Trustee into a separate subaccount known as the “Local Agency Account.” Each Local Agency Account will contain separate Fee Accounts (e.g., water, sewer, roadway, etc.) into which moneys allocable to the Local Agency’s Fees will be deposited, as described in Section 6.03 and 6.04, below.

6.02 Access to SCIP Funds

Each Local Agency will access its Local Agency Account by submitting a disbursement request to the Program Administrator for Capital Costs. Disbursement requests should be submitted no earlier than the time of payment by the Local Agency for the Capital Costs. The form of disbursement request is available from the Program Administrator upon request. All disbursement requests shall be forwarded by e-mail to the Program Administrator. Upon receipt of a disbursement request, the Program Administrator will instruct the SCIP Trustee to disburse the requested funds in accordance with the instructions provided by the Local Agency. For disbursements by wire, each Local Agency will provide the Program Administrator with contact information for the appropriate financial institution, including wire instructions. Disbursements generally will occur within two business days of receipt of a completed disbursement request.

6.03 Account Statements

The Program Administrator will provide each Local Agency with statements identifying the balance in its Local Agency Account and the portion thereof which is allocable to each Fee Account therein (e.g., water, sewer, roadway, etc.), the current market value of its Local Agency Account, interest earnings credited and accrued during the statement period, current investment holdings and cash flow activity. Such statements may be provided monthly or quarterly at the election of the Local Agency.

6.04 Fee Account Allocation

The Program Administrator will record the allocation of funds held for each Local Agency to each Fee Account based on directions provided by each Local Agency upon entering SCIP.

6.05 Management of SCIP Funds

Funds held in SCIP accounts, including Local Agency Accounts, will be invested appropriately at the direction of the Program Administrator. Investment instructions provided to the SCIP Trustee by the Program Administrator will at all times conform with SCIP’s investment policy as may be adopted by the Commission from time to time. Investment earnings will be credited to each SCIP Account and subaccount therein for the benefit of the respective Local Agencies.

6.06 SCIP Record Retention Policy

The Program Administrator will maintain SCIP accounting records on site for not less than 2 years after a Local Agency closes its Local Agency Account and not less than 3 years thereafter at an appropriate off-site location.

6.07 Inspection of SCIP Accounting Records

The Program Administrator will comply with reasonable requests of the Local Agencies to inspect SCIP accounting records during normal business hours and, upon the request of a Local Agency, will provide a Local Agency with a statement of the Local Agency Account.

7.01 Annual Posting

For each Assessment District, the Assessment Administrator will annually transmit to each County, no later than the County's deadline, the auditor's record required by Section 8682 of the Assessment Bond Act for posting on the tax roll. For CFDs: Cal. Gov. Code Section 53340(b) provides that a certified list of all parcels subject to the special tax levy including the amount of the tax to be levied on each parcel for the applicable tax year be filed with the county auditor on or before the 10th day of August of that tax year. The Assessment Installments will appear on the property tax bill mailed by the County to each Property Owner as a separate line item in substantially the following form:

“CSCDA SCIP Assessment District No. [20__ - __] – \$ _____” or “CSCDA SCIP Community Facility District No. [20__ - __] – \$ _____”

7.02 Administrative Cost Assessment

Pursuant to Section 10204(f) of the Assessment Act, the Authority will annually levy an additional assessment to defray the costs of collection and administration of the assessments and the Local Obligations which are not otherwise reimbursed in an amount not to exceed 10% of the Assessment Installment for such year. For CFDs: Cal. Gov. Code Section 53340(d) permits the proceeds of any special tax to be used to pay “incidental expenses,” defined under Cal. Gov. Code Section 53317 to include “(2) The costs associated with the creation of the district, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the district.” Such amounts will be applied by the Authority to pay Program Administration Costs and a full accounting will be provided each year upon request to any Local Agency or Property Owner participating in a Program Series. In addition, each County will add up to \$8 per parcel to each semi-annual Assessment Installment pursuant the Assessment Bond Act as an administrative charge to defray the County's costs of collecting assessments on the tax roll. For CFDs: Cal. Gov. Code Section 53340(g) also permits deduction of reasonable administrative costs incurred in collecting the special tax.

If the Assessment Installment is not paid within the period specified in the demand letters prescribed by the foregoing steps (b) and (c), then unless the property owner is in bankruptcy or on active military duty, the Assessment Administrator shall, after April 10 (in order to include both installments if both are delinquent), cause a Notice of Intent to Remove Delinquent Assessment Installment(s) from the Tax Roll to be recorded in the office of the appropriate County Recorder, pursuant to Section 8833(a)(1) of the Assessment Bond Act. For CFDs: Cal. Gov. Code Section 53356.2 requires the Authority to record a Notice of Intent to Remove Delinquent Special Tax Installment from the Tax Roll] and then proceed to cause the delinquent installments to be stripped from the County tax roll For CFDs: Cal. Gov. Code Section 53356.2 provides for removal upon proof of

recordation of the notice] and submit the delinquent installment information to Foreclosure Counsel (with a copy to the SCIP Underwriter, the Program Administrator and SCIP Counsel) to commence and prosecute, to the fullest extent permitted by law, Superior Court judicial foreclosure proceedings against the Assessed Parcel in accordance with the Assessment Bond Act and the Local Obligation Resolution [For CFDs: if debt is outstanding (e.g., bonds), Cal. Gov. Code Section 53356.1 provides that the Authority may use foreclosure as a cumulative remedy by ordering that delinquent special taxes, together with penalties, interest, and costs, be collected by a superior court foreclosure action.]

All of the Local Obligations will be held by the SCIP Trustee for the benefit of the holders of the Bonds. Although Section 8688 of the Assessment Bond Act allows owners of property within assessment districts to tender bonds issued under the Assessment Bond Act for payment of assessment installments For CFDs: Cal. Gov. Code Section 53344.1 permits a legislative body to provide in the resolution of intention the right to allow owners of property to tender in full or part any installment of the special taxes or interest or penalties thereon which may be due or delinquent, the Bonds are not issued under the Assessment Bond Act and Property Owners who may hold Bonds will not be permitted to tender such Bonds in the payment of Assessment Installments.

8.01 Balance and Payoff Information

The Assessment/Special Tax Administrator will maintain a database of information with respect to each Assessed Parcel which will allow the Property Owner or any other interested person to obtain either a current balance or a payoff quote for the Assessment on such parcel. The Assessment/Special Tax Administrator will be permitted to charge a reasonable fee for providing such information as provided in the current schedule of fees of the Assessment/Special Tax Administrator on file with the Program Administrator.

8.02 Disclosure of Assessment

Each Property Owner shall comply with the requirements of applicable law with respect to the disclosure of the Assessment to any purchaser of an Assessed Parcel. A form of disclosure notice to subsequent purchasers may be obtained from SCIP Counsel. For a reasonable fee in accordance with the schedule of fees maintained by the Assessment/Special Tax Administrator, the Assessment/Special Tax Administrator will provide the information necessary to complete the disclosure notice.

8.03 Billing Questions

The Assessment/Special Tax Administrator will maintain a toll free telephone number to respond to inquiries from Property Owners concerning billing of Assessment Installments and Special Taxes.

9.01 Use of this Manual

This Manual is intended to provide guidance to Local Agencies, Applicants, Property Owners and SCIP consultants in the implementation of SCIP's programs. It is not intended to supersede or replace the legal documents which are used in the SCIP programs. In case of any inconsistency between the provisions of this Manual and such legal documents, the legal documents will control. Capitalized terms used in this Manual have the meanings given under the tab, "Glossary of Terms."

9.02 Contact Information

The contact information for SCIP is provided at the beginning of this Manual.

9.03 Limited Liability

In no event will any Local Agency or any of its officers, employees or agents be liable for the payment of Assessments, Assessment Installments, Special Taxes, Program Administration Costs, Costs of Issuance or any other fees or expenses in connection with SCIP. Neither the Authority nor any of its members, officers, employees or agents will be liable for the payment of Assessments, Assessment Installments, Special Taxes, Program Administration Costs, Costs of Issuance or any other fees or expenses in connection with SCIP except from the Assessment Installments, Special Taxes, or other funds and accounts established pursuant to SCIP.

9.04 Legal Representation

SCIP Counsel will represent only the Authority in connection with the SCIP program and shall not be deemed to have an attorney-client relationship with any Local Agency, Applicant or other participant or party in connection with SCIP or any Program Series. By participating in SCIP, each Local Agency, Applicant or other participant or party agrees that there is no conflict of interest with respect to any other relationship with SCIP Counsel on other matters and, to the extent such conflict is deemed to exist, waives the conflict.

9.05 Interpretation

This Manual is intended to be an operating guide for SCIP, to be used by the Authority, the program consultants and Local Agency participants in implementing and administering SCIP. Interpretation of this Manual will be controlled by the Program Administrator in consultation with SCIP Counsel, subject to final approval by the Legislative Body, whose determinations shall be final and conclusive.

9.06 Revisions to this Manual

SCIP is an ongoing program, and from time to time the Authority may determine that revisions are required to SCIP and this Manual for the purpose of improving the program in the interests of the Authority, the Local Agencies and other parties. This Manual will be updated and revised from time to time as approved by the Legislative Body and revised editions will be posted on the Authority's website at <http://www.cscda.org>.