EXHIBIT A
EAST GARRISON MELLO-ROOS SPECIAL TAX BONDS, SERIES 2019 Q & A

Q: What is the East Garrison Project?

A. The East Garrison Project was approved by the Board of Supervisors of Monterey County in 2006. The project consists of 1,400 residential units, 34,000 square feet of retail commercial space, and 66,000 square feet of rehabilitated historic buildings to be occupied by artist tenants. Of the 1,400 residential units, 780 are planned as market-rate single-family detached units, 340 market-rate single-family attached units, and 280 affordable town homes and apartments. In addition, of the 1400 units, 10% or 140 must be Workforce II units and must be affordable to households with incomes between 150% and 180% of County median income. When the project was approved, it was owned by East Garrison Partners I, LLC. The project was subsequently acquired by UCP, East Garrison, LLC, who, in turn, were acquired by Century Communities, the current owner. The Project is being built in three phases. Phase 1 consists of 398 units, Phase 2 consists of 470 units, and Phase 3 consists of 532 units. The infrastructure improvements for all three Phases have been completed and accepted by the County. As of April 30, 2019, approximately 700 homes have been built and currently occupied. Full absorption is projected by 2024.

Q: What is a Mello-Roos Community Facilities District (CFD)?

A: Named after State Senators Henry Mello and Assemblyman Mike Roos, the Mello-Roos Community Facilities Act of 1982 is a tool available to local government agencies, including school districts, to help finance needed community facilities and services through the levy of voter approved special taxes. This tool is implemented via the creation of Community Facilities Districts (CFDs) by the local legislative body. A CFD is authorized to issue bonds to finance public improvements**.**

Q: What is the East Garrison Community Facilities District?

A: CFD No. 2006-01 was created in 2006 by the East Garrison Public Financing Authority (EGPFA) to provide a mechanism to fund the acquisition of public infrastructure constructed by the developer of East Garrison and to fund the maintenance of these facilities and various services to East Garrison. Formation of the CFD envisioned the issuance of bonds to acquire up to $20 million of completed infrastructure. The CFD was also the tool chosen to achieve fiscal neutrality and to protect the County's General Fund from impacts created by the service needs from development of East Garrison.

Q: What is the source of funding to the East Garrison Community Facilities District?

A: The CFD is funded by a special annual tax which may not exceed limits imposed at the time when the district was created, except for inflationary increases as provided by law. The maximum annual tax varies by size of residential unit and does not apply to affordable rental housing, public properties, or commercial parcels. Monterey County has adopted a policy which limits aggregate taxes to not more than 2% of property value. The CFD maximum tax is consistent with that policy. The CFD tax has two components, an amount dedicated to acquiring infrastructure and an amount set aside for the provision of services. The tax is in place today, having been set at the time of CFD formation in 2006. Property owners in East Garrison are currently paying the Special Taxes.

Q: What are Mello-Roos Bonds:

A: Mello-Roos bonds area debt obligation issued by public agencies in California to fund the construction or acquisition of public facilities, such as streets, parks, water and sewer facilities, schools, etc. The debt is payable from proceeds of special taxes collected from property owners within the boundaries of Community Facilities Districts (CFDs) created by governing bodies of local entities.

Q. Is the East Garrison CFD authorized to issue Mello-Roos Bonds?

A: Yes. The East Garrison Development Agreement and the Disposition and Development Agreement and other documents related to the East Garrison CFD provide for the issuance of East Garrison CFD bonds to fund up to $20 million to acquire developer installed public infrastructure. Issuance of bonds is conditional, however, and subject to approval by the East Garrison Public Finance Authority for which the Monterey County Board of Supervisors is the Governing Board.

Q: Have Mello-Roos bonds been issued by the East Garrison CFD?

A: Yes. In 2016 The EGCFD issued the first Special Tax Bonds, Series 2016 in the amount of $9,540,000. Bond proceeds were used to pay for developer installed infrastructure in Phases 1 and 2 of the East Garrison Project, to fund the required 10% reserve, and to pay for costs associated with the issuance of the bond. The developer received $8,330,000 as reimbursement payment for public facilities constructed, leaving the developer eligible for an amount of up to $11,670,000 for infrastructure acquisition in Phase 3.

Q: What safeguards exist to protect the County, taxpayers and bond holders from adverse bond related impacts?

A: All bonds issued would be subject to the Mello-Roos Community Facilities District Financing Policy adopted by the County Board of Supervisors as required in Section 53312.7(a) of the California Government Code. The County policy contains several provisions designed to maintain the integrity of the bonds. Among other things, the County policy:

1. Requires an independent appraisal by an appraiser chosen by the County which must show that the property backing the bonds has an appraised value of, at least, four times the

outstanding debt. For example, if $25 million in bonds is proposed, the value of the property must be, at least, $100 million.
2. Requires an independent absorption study for the purpose of documenting that enough tax revenue will be available to service the bond debt.
3. Requires a credit enhancement equal to the amount needed to service three years of debt by any party whose property holdings in East Garrison represent 20% or more of the annual tax needed for debt service. A credit enhancement is an instrument which the County can draw down in the event of default by the land owner. In the case of a default, the County would draw down an amount equal to three years of debt service from the defaulting developer's credit instrument and would be able to make debt payments for three (3) years. Three (3) years is, generally, considered adequate time to resolve tax default issues.
4. Requires quick foreclosure proceedings, providing for early foreclosure action on delinquent properties.
5. Requires a reserve fund equal to the lesser of 10% of the original principal amount of bonds, one-year maximum debt service, or 125% of average debt service. The reserve fund is also available to be drawn upon if revenue shortages exist, for whatever reason. The reserve fund is enough to fund one year of debt service, in most cases.
6. The County reserves the right to require disclosure to home buyers which is stricter than already provided by law.
7. The County has the right to select all professional advisors needed to structure the bonds.

Q: Will the County assume any financial liability as a result of the bonds?

A: No. The East Garrison CFD is the issuer of the bonds. When a CFD issues bonds, none of the County's or the Financing Authority's assets are pledged as security for the bonds. The bonds are secured by a lien on the land securing the payment of the Special Taxes for facilities. Bond buyers can only look to the lien on the land if not enough revenues are collected to service the debt. The only obligation assumed by the CFD, through bond covenants, is to impose up to the maximum annual tax in the CFD, act on foreclosures, draw down on credit instruments if there is a default, and perform other administrative functions.

Q. Have there been defaults in the payment of CFD taxes in East Garrison?

A: No. To date there have been no defaults in the payment of Special Taxes by the East Garrison property owners.

Q: How does the CFD tax affect current and future homeowners in East Garrison?

A: Current and future homeowners in East Garrison are paying and will continue to pay the Special Taxes, along with their property taxes, the sum of which is roughly twice the amount paid by homeowners of similarly priced property in non-CFD areas. Approximately one-half of the Special Tax being collected at East Garrison goes to fund the acquisition of facilities. The other approximately one-half goes to pay for public services. The facilities portion of the tax will remain in place until all bonds have been retired. The services portion of the tax has no expiration date. The developer is required to disclose this information to all potential homebuyers.

Q. Is the developer in compliance with the requirements of the Development Agreement and the Disposition and Development Agreement?

A. Yes. The developer is currently in compliance with the provisions of all applicable agreements and has constructed and dedicated all improvements required under the Tentative Map and other conditional approvals. The developer has experienced some delays in meeting the threshold requirements for the production of affordable housing in Phases 1 and 2, but, as required by the Disposition and Development Agreement, the developer has provided completion guarantees for the affordable rental units in Phases 2 and 3. Phase 1 affordable rental units were completed in Phase 1, ahead of the trigger dates provided in the DDA.

Q. Who participates in structuring the Mello-Roos Bond Issue:

A. The issuance of bonds is a complex process and is strictly regulated by the Federal and State Governments. County staff is working with a highly regarded team of consultants which include an appraiser, a market absorption consultant, a financial advisor, a bond counsel, a disclosure counsel, a special tax consultant, and an underwriter. Each of these consultants plays an important role in insuring that the bonds are structured in compliance with Federal, State, and County rules, and that tax payers and bond buyers are protected.

Q. Who approves the sale of bonds?

The Board of Supervisors, acting as the Governing Board of the East Garrison Public Financing Authority will approve the issuance of bonds by the CFD. The EGPFA Board will approve a resolution which will authorize the sale of bonds, with a duration of 30 years, authorize the execution, delivery and distribution of necessary documents and certificates, and approve other related actions, as summarized below:

- **Indenture**, which establishes the terms and conditions under which the Bonds are issued.
- **Bond Purchase Agreement**, which is a negotiated agreement that sets forth the terms under which the Bonds are sold to and purchased by the Underwriter, specifying limits on interest rates that may be charged and limits the discount that the Underwriter may charge on the Bonds.
- **Continuing Disclosure Agreement**, which obligates the CFD and the developer to disclose, on an on-going basis, financial information and material facts which could affect the integrity of the Bonds. In most cases, state or local governments or obligated persons must submit annual disclosures on or before the date specified in the continuing disclosure agreement or provide notice of failure to do so to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal

Market Access (EMMA) Disclosure on events for new issues after December 2010 must be submitted to EMMA within ten (10) business days of the event.

- **Preliminary Official Statement,** which is the disclosure document used by the underwriter to sell the bonds to potential buyers. The Securities and Exchange Commission promulgates rules which govern information required to be included in an Official Statement. While it is called a Preliminary Official Statement, it must be “final” in all respect leaving only the final terms to be determined via the actual terms of the sale of the Bonds.
- Makes a finding that the minimum land value to Bond amount ratio (4:1) has been met via a certified appraisal conducted by the EGPFA.
- Approves the form of the Letter of Credit Agreement, which serves as security for the Bonds (If required)

Q. How is the proposed second Special Tax Bonds, Series 2019 related to the first Special Tax Bonds, Series 2016 issued previously?

A. The Special Tax Bonds, Series 2016 Indenture allows for the issuance of additional bonds, if the subsequent series are structured in a manner that is consistent with and which does not impair the integrity of the earlies issue. All the rules, commitments, and procedures established in the first Special Tax Bonds, Series 2016 must be strictly followed by the proposed second Special Tax Bonds, Series 2019. For example, the Series 2016 Indenture includes a provision known as the “additional bonds test” which provides that any subsequent bonds issued must ensure that the revenues from the Special Tax are at 110% of the amount required to meet the aggregate debt of the two series, the developed property value in the CFD is at least seven (7) times the special taxes for which developed property is responsible, and the value of the undeveloped property is, at least, four (4) times the amount of special taxes for which undeveloped property is responsible.