

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2018-1 (CENTRAL SOMA)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Taxable Parcel in the City and County of San Francisco Special Tax District No. 2018-1 (Central SoMa) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage within Taxable Buildings, as described below. All Taxable Parcels in the STD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the STD unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Part 1, Division 2 of Title 5 of the California Government Code.

“**Administrative Expenses**” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City carrying out duties with respect to the STD and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller’s Office and/or the City Treasurer and Tax Collector’s Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, costs associated with annexation of property into the STD, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Tax, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City in any way related to the establishment or administration of the STD.

“**Administrator**” means the Director of the Office of Public Finance who shall be responsible for administering the Special Tax according to this RMA.

“**Affordable Housing Project**” means a residential or primarily residential project, as determined by the Review Authority, within which all Residential Units are BMR Units. All Land Uses within an Affordable Housing Project are exempt from the Special Tax, as provided in Section G and are subject to the limitations set forth in Section D.4 below.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land parcel.

“Apartment Building” means a residential or mixed-use Building within which all of the Residential Units are offered for rent to the general public and are not available for sale to individual homebuyers.

“Assessor’s Parcel” or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

“Authorized Expenditures” means those public facilities and public services authorized to be funded by the STD as set forth in the documents adopted by the Board at STD Formation, as may be amended from time to time.

“Base Facilities Special Tax” means the per-square foot Facilities Special Tax for each Land Use as identified in Table 1 in Section C.1 below.

“Base Services Special Tax” means the per-square foot Services Special Tax for each Land Use as identified in Table 2 in Section C.1 below.

“Base Special Tax” means, prior to the Transition Year, the Base Facilities Special Tax and, in and after the Transition Year, the Base Services Special Tax.

“Below Market Rate Units” or **“BMR Units”** means all Residential Units within the STD that have a deed restriction recorded on title of the property that (i) limits the sales price of the Residential Unit, (ii) limits the appreciation that can be realized by the owner of such unit, or (iii) in any other way is intended to restrict the current or future value of the unit, as determined by the Review Authority.

“Board” means the Board of Supervisors of the City, acting as the legislative body of the STD.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, that are issued or assumed by the STD to finance Authorized Expenditures.

“Building” means a permanent enclosed structure that is, or is part of, a Conditioned Project.

“Certificate of Occupancy” or **“COO”** means the first certificate, including any temporary certificate of occupancy, issued by the City to confirm that a Building or a portion of a Building has met all of the building codes and can be occupied for residential and/or non-residential use. For purposes of this RMA, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2018 for a Building within the STD; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project.

“**City**” means the City and County of San Francisco.

“**Community Facility Square Footage**” means Square Footage that is or is expected to occupy one or more land uses that contribute to the general welfare of the community and provide services that enhance the social, economic, religious, medical and artistic well-being of residents and employees in the City. Such uses, which are set forth in more detail in the Planning Code, include but are not limited to community and neighborhood centers, licensed child care facilities, philanthropic organizations, job training facilities, tax-exempt religious institutions, social service facilities, residential care facilities providing licensed medical care, and spaces used for the production of art. The Review Authority shall make the final determination as to the amount of Community Facility Square Footage within a building in the STD.

“**Conditioned Project**” means a Development Project that is required to participate in funding Authorized Expenditures through the STD.

“**County**” means the City and County of San Francisco.

“**Development Project**” means a residential, non-residential, or mixed-use development that includes one or more Buildings, or portions thereof, that are planned and entitled in a single application to the City.

“**Escalator**” means the lesser of the following: (i) the increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by the City to be appropriate, and (ii) five percent (5%).

“**Exempt Community Facility Square Footage**” means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Review Authority to be reserved for Community Facility Square Footage.

“**Exempt Parking Square Footage**” means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Review Authority to be accessory parking pursuant to Sections 151.1 and 204.5 of the Planning Code or successor sections.

“**Exempt PDR Square Footage**” means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Review Authority to be reserved for PDR Square Footage.

“**Exempt Public Square Footage**” means Square Footage within a Taxable Building that, at the time of issuance of a COO, is determined by the Review Authority to be reserved for Public Square Footage.

“**Facilities Special Tax**” means a special tax levied in any Fiscal Year before the Transition Year to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) replenish reserve funds created for the Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Expenditures. The amounts referred to in clauses (i) and (ii) above may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (b) in the sole and absolute discretion of the City, proceeds received by the STD from the collection of penalties associated with delinquent Facilities Special Taxes; and (c) any other revenues available to pay such costs, each as determined in the sole discretion of the Administrator.

“First Bond Sale” means issuance of the first series of Bonds secured, in whole or in part, by Facilities Special Taxes levied and collected from Parcels in the STD.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“For-Sale Residential Square Footage” means Square Footage that is or is expected to be part of a For-Sale Unit. The Review Authority shall make the determination as to the For-Sale Residential Square Footage within a Taxable Building in the STD.

“For-Sale Unit” means a Market Rate Unit that has been, or is available or expected to be, sold, including Market Rate Units offered for sale within boarding houses, projects operated by medical and educational institutions, and residential care facilities that are not staffed by licensed medical professionals. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

“Indenture” means any indenture, fiscal agent agreement, resolution, or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use” means the particular use on Taxable Square Footage within a Building that results in the Square Footage being categorized as Tier B For-Sale Residential Square Footage, Tier C For-Sale Residential Square Footage, or Tier C Non-Residential Square Footage. For purposes of this RMA, the Review Authority shall have the final determination of the actual Land Use(s) on any Taxable Parcel within the STD.

“Market Rate Unit” means a Residential Unit that is not a Below Market Rate Unit.

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

“Maximum Special Tax” means, prior to the Transition Year, the Maximum Facilities Special Tax and, in the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel and shall, in addition to the Services Special Tax, be part of the Maximum Special Tax for the Parcel until paid.

“PDR Square Footage” means a grouping of uses that includes, but is not limited, to all industrial and agricultural uses, ambulance services, animal hospital, automotive service station, automotive repair, automotive wash, arts activities, business services, cat boarding, catering service, commercial storage, kennel, motor vehicle tow service, livery stable, parcel delivery service, public utilities yard, storage yard, trade office, trade shop, wholesale sales, and wholesale storage, pursuant to Section 102 of the Planning Code or successor sections. The Review Authority shall make the final determination as to the amount of PDR Square Footage within a building in the STD.

“Planning Code” means the Planning Code of the City and County of San Francisco, as may be amended from time to time.

“Proportionately” means that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Taxable Parcels.

“Public Square Footage” means Square Footage in a Taxable Building that is or is expected to be owned or occupied by the federal government, the State of California, the City, or any other public agency.

“Rental Residential Square Footage” means Square Footage that is or is expected to be used for one or more of the following uses: (i) Rental Units, (ii) any type of group or student housing which provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals.

“Rental Unit” means a Market Rate Unit within an Apartment Building. “Rental Unit” shall not include any Residential Unit that has been purchased by a homeowner or investor and subsequently offered for rent to the general public. The Administrator shall make the final determination as to whether a Market Rate Unit is a For-Sale Unit or a Rental Unit.

“Residential Unit” means an individual townhome, condominium, live/work unit, or apartment within a Taxable Building in the STD.

“Review Authority” means the City Planning Director or an alternate designee from the City who is responsible for approvals and entitlements of a Development Project.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Services Special Tax” means a special tax levied in any Fiscal Year after the Transition Event to pay the Services Special Tax Requirement.

“Services Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay the costs of operations and maintenance or other public services that are included as Authorized Expenditures; (ii) cure delinquencies in the payment of Services Special Taxes in the prior Fiscal Year; and (iii) pay Administrative Expenses.

“Special Tax” means, prior to the Transition Year, the Facilities Special Tax and, in and after the Transition Year, the Services Special Tax. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel in addition to the Services Special Tax.

“Special Tax Requirement” means, prior to the Transition Year, the Facilities Special Tax Requirement and, in and after the Transition Year, the Services Special Tax Requirement. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel in addition to the Services Special Tax Requirement for that Fiscal Year.

“Square Footage” means the net saleable or leasable square footage of each Land Use within a Taxable Building, as determined by the Review Authority in conjunction with the developer of the building. If a building permit is issued that will increase Taxable Square Footage on any Parcel, the Administrator shall, in any Fiscal Year after the final building permit inspection has been conducted in association with such expansion, work with the Review Authority to recalculate (i) the Taxable Square Footage on each Taxable Parcel, and (ii) the Maximum Special Tax for each Taxable Parcel based on the increased Taxable Square Footage. The final determination of Square Footage for each Land Use on each Taxable Parcel shall be made by the Review Authority.

“STD” means the City and County of San Francisco Special Tax District No. 2018-1 (Central SoMa).

“STD Formation” means the date on which the Board approved documents to form the STD.

“Taxable Building” means, in any Fiscal Year, any Building within the STD that is, or is part of, a Conditioned Project, and for which a Certificate of Occupancy was issued on or prior to June 30 of the preceding Fiscal Year. If only a portion of the Building is a Conditioned Project, as determined by the Review Authority, that portion of the Building shall be treated as a Taxable Building for purposes of this RMA.

“Taxable Community Facility Square Footage” means any Community Facility Square Footage within a Taxable Building that is not Exempt Community Facility Square Footage, as determined by the Review Authority.

“Taxable Parcel” means, in any Fiscal Year, any Parcel within the STD on which there is Taxable Square Footage.

“Taxable Parking Square Footage” means Square Footage of parking in a Taxable Building that is not Exempt Parking Square Footage, as determined by the Review Authority.

“Taxable PDR Square Footage” means any PDR Square Footage within a building that is not Exempt PDR Square Footage, as determined by the Review Authority.

“Taxable Public Square Footage” means any Public Square Footage within a building that is not Exempt Public Square Footage, as determined by the Review Authority. In addition, any property that is owned by a public agency but leased to a private entity for residential or non-residential use for a term of twenty (20) years or more shall not, during the lease term, be considered Public Square Footage and shall be taxed and classified according to the Land Use on the Parcel(s), as determined by the Review Authority.

“Taxable Rental Residential Square Footage” means, in any Fiscal Year after the First Bond Sale, the Square Footage of any Residential Unit that had, in any prior Fiscal Year, been taxed as a For-Sale Unit and is subsequently converted to a Rental Unit.

“Taxable Square Footage” means, within a Taxable Building, all Square Footage that is not exempt from the Special Tax pursuant to law or Section G below.

“Tier” means a Central SoMa Fee Tier, as defined in the Planning Code, into which a Taxable Parcel is assigned based on the estimated increased development capacity on the Taxable Parcel. Upon annexation into the STD, the Review Authority shall, in its sole discretion, determine the appropriate Tier into which a Taxable Parcel on which For-Sale Residential Square Footage is expected to be developed shall be assigned, which may be adjusted pursuant to Section D.6 below. Only non-residential square footage that has been assigned to Tier C shall be subject to the levy of the Special Tax.

“Tier B For-Sale Residential Square Footage” means For-Sale Residential Square Footage developed on a Parcel that was assigned by the Review Authority to Tier B, as defined in the Planning Code.

“Tier C For-Sale Residential Square Footage” means For-Sale Residential Square Footage developed on a Parcel that was assigned by the Review Authority to Tier C, as defined in the Planning Code.

“Tier C Non-Residential Square Footage” means Square Footage that is or is expected to be: (i) space within any structure or portion thereof intended or primarily suitable for, or accessory to, occupancy by retail, office, commercial, or uses other than a Residential Use, pursuant to Section 102 of the Planning Code or successor sections, (ii) Taxable Parking Square Footage,

Taxable Community Facility Square Footage, Taxable PDR Square Footage, and Taxable Public Square Footage, and (iii) any other Taxable Square Footage that does not meet the definition of For-Sale Residential Square Footage, Rental Residential Square Footage, Taxable PDR Square Footage, Taxable Community Facility Square Footage, Taxable Parking Square Footage, Taxable Rental Residential Square Footage, or Taxable Public Square Footage. For the purposes of this RMA, residential components of institutional uses other than religious institutions shall be defined as a Residential Use. The Review Authority shall make the final determination as to the amount of Tier C Non-Residential Square Footage within a building in the STD.

“Transition Event” shall be deemed to have occurred when all Bonds secured by the levy and collection of Facilities Special Taxes in the STD have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Facilities Special Tax has been levied within the STD for ninety-nine (99) Fiscal Years.

“Transition Year” means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year.

B. DATA FOR STD ADMINISTRATION

Upon annexation into the STD of a Taxable Parcel on which For-Sale Residential Square Footage and non-residential square footage is expected to be developed, the Review Authority shall assign the Taxable Parcel to the appropriate Tier. On an ongoing basis, the Administrator will work with the Review Authority to determine and monitor the Taxable Square Footage within each Taxable Building and the Tiers into which Parcels have been assigned. Upon issuance of a COO for a Taxable Building, the Administrator will request confirmation of the Square Footage of each Land Use within the Building, which shall be used to determine the Maximum Special Tax revenues that can be collected from Taxable Square Footage in the Building.

On or after July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels in the STD. The Administrator shall also work with the Review Authority to confirm: (i) the number of BMR Units and aggregate Square Footage of BMR Units within the Building, if applicable, and (ii) the Special Tax Requirement for the Fiscal Year.

In any Fiscal Year, if it is determined by the Administrator that (i) a parcel map or condominium plan for a portion of property in the STD was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), and (ii) the Assessor does not yet recognize the newly-created parcels, the Administrator shall calculate the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor’s Parcel that was subdivided by recordation of the parcel map or condominium plan.

C. DETERMINATION OF THE MAXIMUM SPECIAL TAX

1. *Base Special Tax*

Prior to the Transition Year, the Base Special Tax to be used for calculation of the Maximum Special Tax for each Taxable Parcel within a Building shall be the Base Facilities Special Tax determined based on reference to Table 1 below:

Table 1 Base Facilities Special Tax		
Land Use Category	Base Facilities Special Tax Before the Transition Year (in Fiscal Year 2018-19 dollars) *	Base Facilities Special Tax In and After the Transition Year (in Fiscal Year 2018-19 dollars) *
Tier B For-Sale Residential Square Footage	\$3.30 per square foot	\$0.00 per square foot
Tier C For-Sale Residential Square Footage	\$5.50 per square foot	\$0.00 per square foot
Tier C Non-Residential Square Footage	\$2.75 per square foot	\$0.00 per square foot

*** The Base Facilities Special Taxes shown above shall be escalated as set forth in Section D.1.**

In and after the Transition Year, the Base Special Tax to be used for calculation of the Maximum Special Tax for each Taxable Parcel within the Building shall be the Base Services Special Tax, which shall be determined based on reference to Table 2 below:

Table 2 Base Services Special Tax		
Land Use Category	Base Services Special Tax Before the Transition Year (in Fiscal Year 2018-19 dollars) *	Base Services Special Tax In and After the Transition Year (in Fiscal Year 2018-19 dollars) *
Tier B For-Sale Residential Square Footage	\$0.00 per square foot	\$0.82 per square foot
Tier C For-Sale Residential Square Footage	\$0.00 per square foot	\$1.37 per square foot
Tier C Non-Residential Square Footage	\$0.00 per square foot	\$0.69 per square foot

*** The Base Services Special Taxes shown above shall be escalated as set forth in Section D.2.**

2. *Maximum Special Tax for For-Sale Residential Square Footage and Tier C Non-Residential Square Footage*

Upon issuance of the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the Administrator shall coordinate with the Review Authority to determine the Square Footage of each Land Use on each Taxable Parcel.

The Administrator shall then apply the following steps to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building:

- Step 1.** Determine the Tier B For-Sale Residential Square Footage or Tier C For-Sale Residential Square Footage for all Residential Units on each Taxable Parcel, as well as the Tier C Non-Residential Square Footage on each Taxable Parcel.
 - Step 2.** *For each Taxable Parcel that includes only For-Sale Units*, multiply the Tier B For-Sale Residential Square Footage or Tier C For-Sale Residential Square Footage, as applicable, by the Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.
 - Step 3.** *For each Taxable Parcel that includes only Tier C Non-Residential Square Footage*, multiply the Tier C Non-Residential Square Footage on the Parcel by the applicable Base Special Tax to determine the Maximum Special Tax for the Taxable Parcel.
 - Step 4.** *For Taxable Parcels that include multiple Land Uses*, determine the Tier B For-Sale Residential Square Footage or Tier C For-Sale Residential Square Footage and the Tier C Non-Residential Square Footage on each Parcel. Multiply the Square Footage of each Land Use by the applicable Base Special Tax, and sum the individual amounts to determine the aggregate Maximum Special Tax for the Taxable Parcel for the succeeding Fiscal Year.
- 3. *Maximum Special Tax for Taxable Rental Residential Square Footage, Taxable Community Facility Square Footage, Taxable PDR Square Footage, Taxable Parking Square Footage, and Taxable Public Square Footage***

In any Fiscal Year in which the Administrator determines that there is Taxable Rental Residential Square Footage, Taxable PDR Square Footage, Taxable Community Facility Square Footage, Taxable Parking Square Footage, and/or Taxable Public Square Footage on a Parcel, the Administrator shall determine the prior Land Use or expected Land Use for such square footage before it was designated for Rental Units, PDR Square Footage, Community Facility Square Footage, parking, or public use. The Administrator shall use the Base Special Tax for the Land Use that had been, or was expected to be, on the Parcel to calculate the Maximum Special Tax for the Taxable Parcel.

D. CHANGES TO THE MAXIMUM SPECIAL TAX

1. Annual Escalation of Facilities Special Tax

1a. For-Sale Residential Square Footage. Beginning July 1, 2019 and each July 1 thereafter until the Transition Year, the Base Facilities Special Taxes for Tier B For-Sale Residential Square Footage and Tier C For-Sale Residential Square Footage in Table 1, and the Maximum Facilities Special Tax (or portion thereof) assigned to each Parcel based on the Tier B For-Sale Residential Square Footage or Tier C For-Sale Residential

Square Footage on such Parcel shall be increased by 2% of the amount in effect in the prior Fiscal Year.

1b. Tier C Non-Residential Square Footage. Beginning July 1, 2019 and each July 1 thereafter until the Transition Year, the Base Facilities Special Tax for Tier C Non-Residential Square Footage in Table 1 shall be increased by 2% of the amount in effect in the prior Fiscal Year. After the first Fiscal Year in which a Facilities Special Tax is levied against Tier C Non-Residential Square Footage on a Parcel, the Maximum Facilities Special Tax (or portion thereof) assigned to the Parcel based on the Tier C Non-Residential Square Footage on such Parcel shall, on July 1 of the next consecutive 25 Fiscal Years, be increased by 4% of the amount in effect in the prior Fiscal Year. On July 1 of the Fiscal Year that commences after the 25th Fiscal Year in which the Maximum Special Tax on the Parcel was escalated by 4%, and on each July 1 thereafter until the Transition Year, the Maximum Special Tax shall, be increased by 2% of the amount in effect in the prior Fiscal Year.

2. *Annual Escalation of Services Special Tax*

2a. For-Sale Residential Square Footage. Beginning July 1, 2019 and each July 1 thereafter until the Transition Year, the Base Services Special Taxes for Tier B For-Sale Residential Square Footage and Tier C For-Sale Residential Square Footage in Table 2 shall be increased by 2% of the amount in effect in the prior Fiscal Year. In July 1 of the Transition Year and each July 1 thereafter, the Base Services Special Taxes for Tier B For-Sale Residential Square Footage and Tier C For-Sale Residential Square Footage in Table 2, and the Maximum Services Special Tax (or portion thereof) assigned to each Parcel based on the Tier B For-Sale Residential Square Footage or Tier C For-Sale Residential Square Footage on such Parcel shall be increased by the Escalator.

2b. Tier C Non-Residential Square Footage. Beginning July 1, 2019 and each July 1 thereafter until the Transition Year, the Base Services Special Tax in Table 2 shall be increased by 2% of the amount in effect in the prior Fiscal Year. In July 1 of the Transition Year and each July 1 thereafter, the Base Services Special Tax in Table 2 and the Maximum Services Special Tax (or portion thereof) assigned to each Parcel based on the Tier C Non-Residential Square Footage on such Parcel shall be increased by the Escalator.

3. *Conversion of For-Sale Units to Rental Units*

If, prior to the First Bond Sale, a Taxable Building with For-Sale Units converts to an Apartment Building, the Rental Residential Square Footage in the Apartment Building will be exempt from the levy of the Special Tax unless and until the Residential Units in the building are converted back into For-Sale Units. After the First Bond Sale, if a Taxable Building with For-Sale Units converts to an Apartment Building, the aggregate Square Footage of the Residential Units shall be categorized as Taxable Rental Residential Square Footage for purposes of levying the Special Taxes pursuant to this RMA.

4. *Below Market Rate Unit/Market Rate Unit Transfers*

If, in any Fiscal Year, the Administrator determines that a Residential Unit that had previously been designated as a BMR Unit no longer qualifies as such, the Maximum Special Tax on the new Market Rate Unit shall be established pursuant to Section C.2 and adjusted, as applicable, by Sections D.1 or D.2. If a Market Rate Unit becomes a BMR Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit, the Maximum Special Tax on such Residential Unit shall not be decreased unless: (i) a BMR Unit is simultaneously redesignated as a Market Rate Unit, and (ii) such redesignation results in a Maximum Special Tax on the new Market Rate Unit that is greater than or equal to the Maximum Special Tax that was levied on the Market Rate Unit prior to the swap of units. If, based on the Square Footage, there would be a reduction in the Maximum Special Tax due to the swap, the Maximum Special Tax that applied to the former Market Rate Unit will be transferred to the new Market Rate Unit regardless of the Square Footage of the new Market Rate Unit.

5. *Changes in Land Use on a Taxable Parcel*

If any Square Footage that had been taxed as Tier B For-Sale Residential Square Footage, Tier C For-Sale Residential Square Footage, or Tier C Non-Residential Square Footage in a prior Fiscal Year changes Land Use, the Administrator shall apply the applicable subsection in Section C.2 to calculate what the Maximum Special Tax would be for the Parcel based on the new Land Use(s). If the amount determined is greater than the Maximum Special Tax that applied to the Parcel prior to the land use change, the Administrator shall increase the Maximum Special Tax to the amount calculated for the new Land Uses. If the amount determined is less than the Maximum Special Tax that applied prior to the land use change, there will be no change to the Maximum Special Tax for the Parcel.

Under no circumstances shall the Maximum Special Tax on any Taxable Parcel be reduced, regardless of changes in Land Use or Square Footage on the Parcel, including reductions in Square Footage that may occur due to demolition, fire, water damage, or acts of God. In addition, if a Taxable Building within the STD that had been subject to the levy of Special Taxes in any prior Fiscal Year becomes all or part of an Affordable Housing Project, the Parcel(s) shall continue to be subject to the Maximum Special Tax that had applied to the Parcel(s) before they became part of the Affordable Housing Project. Notwithstanding the foregoing, in and after the Transition Year, if the City determines that an adjustment in the Maximum Services Special Tax on a Parcel due to a change in Land Use, affordability restrictions, or Square Footage would not adversely affect the funding of Authorized Expenditures, the City may direct the Administrator to adjust the Maximum Services Special Tax for the Parcel based on the current Land Use, affordability category, or Square Footage, and such Maximum Services Special Tax shall be adjusted by the Escalator in future Fiscal Years.

6. *Changes to Tier Assignment*

Each Parcel that has been, or is expected to be, developed with For-Sale Residential Square Footage shall, upon annexation to the STD, be assigned to a Tier and, based on such assignment, the square footage shall be designated as Tier B For-Sale Residential Square Footage or Tier C For-Sale Residential Square Footage. Prior to the First Bond Sale, the Review Authority may

change the Tier to which any Parcel is assigned. After the First Bond Sale, For-Sale Residential Square Footage on or expected on a Parcel may be moved from Tier B For-Sale Residential Square Footage to Tier C For-Sale Residential Square Footage, and the Review Authority shall immediately notify the Administrator of such reassignment. However, no For-Sale Residential Square Footage may be moved from Tier C For-Sale Residential Square Footage to Tier B For-Sale Residential Square Footage after the First Bond Sale.

Prior to the First Bond Sale, if two or more Parcels that are in different Tiers merge to create a new Parcel, the Review Authority shall determine the Tier to which the new Parcel will be assigned. After the First Bond Sale, any For-Sale Residential Square Footage that is constructed on a Parcel created by the merger of two or more Parcels shall be categorized as Tier C For-Sale Residential Square Footage.

E. METHOD OF LEVY OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied Proportionately on each Taxable Parcel up to 100% of the Maximum Special Tax for each Parcel for such Fiscal Year until the amount levied on Taxable Parcels is equal to the Special Tax Requirement.

F. COLLECTION OF SPECIAL TAX

Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax bill for any Parcel subject to a leasehold interest will be sent to the same party that receives the possessory interest tax bill associated with the leasehold.

The Facilities Special Tax shall be levied and collected until the Transition Year. The Services Special Tax shall be levied and collected in perpetuity beginning in the Transition Year. Pursuant to Section 53321(d) of the Act, the Facilities Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Facilities Special Tax in effect for the Fiscal Year in which the Facilities Special Tax is being levied.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Taxes shall be levied on: (i) BMR Units except as otherwise provided in Sections D.4 and D.5, (ii) Affordable Housing Projects, including all Residential Units and Tier C Non-Residential Square Footage within buildings that are part of an Affordable Housing Project, except as otherwise provided in Section D.5, (iii) Rental Residential Square Footage unless it is determined to be Taxable Rental Residential

Square Footage, and (iv) Exempt Community Facility Square Footage, Exempt Parking Square Footage, Exempt PDR Square Footage, and Exempt Public Square Footage.

H. INTERPRETATION OF SPECIAL TAX FORMULA

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Tax and any security for any Bonds.

I. SPECIAL TAX APPEALS

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section I shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.