

**EXHIBIT 1**  
**RATE AND METHOD OF APPORTIONMENT FOR**  
**IMPROVEMENT AREA 1 OF CITY OF STOCKTON**  
**COMMUNITY FACILITIES DISTRICT NO. 2018-2 (WESTLAKE VILLAGES II)**  
**COUNTY OF SAN JOAQUIN**  
**STATE OF CALIFORNIA**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in Improvement Area No. 1 of City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II), County of San Joaquin, State of California ("CFD No. 2018-2 (IA No. 1)") and collected each Fiscal Year commencing in Fiscal Year 2018-2019, in an amount determined by the City Council, through the application of the Rate and Method of Apportionment as described below. All Taxable Property in CFD No. 2018-2 (IA No. 1), unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"Acre" or "Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final subdivision map, parcel map, condominium plan, record of survey, or other recorded County parcel map. An Acre equals 43,560 square feet of land area.

**"Act"** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means the actual or reasonably estimated costs directly related to the administration of CFD No. 2018-2 (IA No. 1) including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax Levy collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Tax Levies (whether by the County or otherwise); the costs of remitting the Special Tax Levies to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2018-2 (IA No. 1), or any designee thereof of complying with arbitrage rebate requirements, or responding to questions from the Securities and Exchange Commission or Internal Revenue Service pertaining to any CFD No. 2018-2 (IA No. 1) Bonds or any audit of any CFD No. 2018-2 (IA No. 1) Bonds by the Securities and Exchange Commission or Internal Revenue Service; the costs to the City, CFD No. 2018-2 (IA No. 1), or any designee thereof of complying with the City, CFD No. 2018-2 (IA No. 1), or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax Levy disclosure statements and responding to public inquiries regarding the Special Tax Levies; the costs of the City, CFD No. 2018-2 (IA No. 1), the Trustee, or any designee thereof related to an appeal of the levy or application of the Special Taxes; the costs associated with the release of funds from an escrow account; and City's annual administration fees and third party expenses. Administrative Expenses shall

also include amounts estimated or advanced by the City or CFD No. 2018-2 (IA No. 1) for any other administrative purposes of CFD No. 2018-2 (IA No. 1), including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Tax Levies.

**"Assessor's Parcel"** means a lot or 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 of the County designating parcels by Assessor's Parcel number.

**"Assigned Special Tax A" or "Assigned Special Taxes"** means the Special Tax A for each Land Use Class of Developed Property, as determined in accordance with Section C.1.a.(2), below.

**"Authorized Facilities"** means the facilities authorized to be financed by CFD No. 2018-2 (IA No. 1).

**"Authorized Services"** means the services authorized to be financed by CFD No. 2018-2 (IA No. 1).

**"Backup Special Tax A"** means the Backup Special Tax A applicable to an Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.a.(3), below.

**"Building Permit"** means a permit issued by the City or other governmental agency for the construction of a residential or non-residential building on an Assessor's Parcel.

**"Buildout"** means, for CFD No. 2018-2 (IA No. 1), that all expected Building Permits for Residential Property, and Non-Residential Property to be constructed within CFD No. 2018-2 (IA No. 1) have been issued, as determined by the CFD Administrator.

**"CFD Administrator"** means an official of the City, or designee thereof, responsible for determining the various Special Tax Requirements and providing for the levy and collection of the Special Taxes.

**"CFD No. 2018-2"** means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II), County of San Joaquin, State of California.

**"CFD No. 2018-2 (IA No. 1)"** means Improvement Area No. 1 of CFD No. 2018-2.

**"CFD No. 2018-2 (IA No. 1) Bonds"** means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one (1) or more series, authorized by CFD No. 2018-2 (IA No. 1) under the Act and issued by the City and secured by the Special Taxes.

**"City"** means the City of Stockton

**"County"** means the County of San Joaquin.

**“Developed Property”** means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property and Taxable Public Property, for which a Building Permit for new construction was issued after January 1, 2018 and on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied.

**“Developer”** means Eight Mile Development Inc. (EMDI) and its successors and assigns. The term “successors” does not refer to the successors to all or any portion of the property within CFD No. 2018-2 (IA No. 1) unless the new property owner receives an assignment of the Developer’s rights and obligations described in an assignment agreement or similar agreement.

**“Dwelling Unit”** means one (1) residential unit of any configuration, including, but not limited to, a single family attached or detached dwelling, condominium, apartment, mobile home, or otherwise.

**“Final Mapped Property”** means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, located in a Final Subdivision as of January 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, but no earlier than January 1, 2018.

**“Final Subdivision”** means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 that, in either case, creates individual lots for which Building Permits may be issued without further subdivision.

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

**“Indenture”** means the indenture, fiscal agent agreement, resolution, or other instrument pursuant to which CFD No. 2018-2 (IA No. 1) Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

**“Land Use Class”** means any of the land use classes listed in Table 1 and Table 2, below.

**“Maximum Special Tax”** means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

**“Maximum Special Tax A”** means the Maximum Special Tax A, determined in accordance with Section C.1 below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

**“Maximum Special Tax B”** means the Maximum Special Tax B, determined in accordance with Section C.2 below, which can be levied in any Fiscal Year on any Assessor’s Parcel.

**“Multi-Family Residential”** means, all Assessor’s Parcels of Developed Property for

which a Building Permit has been issued for purposes of constructing a residential structure consisting of more than two (2) Dwelling Units, including, but not limited to, triplexes, condominiums, and apartment units.

**“Non-Residential Floor Area”** means the total gross building square footage of non-residential property lying within an Assessor’s Parcel for which one (1) or more non-residential Building Permits have been issued. Such square footage shall be measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two (2) sides, as determined by reference to the Building Permit(s) issued for that Assessor’s Parcel, or if these are not available, as otherwise determined by the CFD Administrator.

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property for which a Building Permit permitting the construction of one (1) or more non-residential units or facilities has been issued by the City or other governmental agency.

**“Outstanding Bonds”** means all CFD No. 2018-2 (IA No. 1) Bonds which remain outstanding under the Indenture.

**“Property Owner Association Property”** means, for each Fiscal Year (i) any property within the boundaries of CFD No. 2018-2 (IA No. 1) that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year, (ii) any property located in a Final Subdivision that was recorded as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied and which, as determined from such Final Subdivision, is or will be open space, a common area recreation facility, or a private street, or (iii) any property which, as of the May 1 preceding the Fiscal Year for which the Special Tax is being levied, has been conveyed to a property owner’s association, including any master or sub-association, provided evidence of such conveyance is submitted to the CFD Administrator by May 1 preceding the Fiscal Year for which the Special Tax is being levied. The total number of acres to be classified as Property Owner Association Property or Public Property shall not exceed 33.26 acres, as described in Section E of this Rate and Method of Apportionment.

**“Proportionately”** means, for Developed Property, that the ratio of the actual Special Tax Levy to the Assigned Special Tax or the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property categories, “Proportionately” means that the ratio of the actual Special Tax Levy per Acre to the Maximum Special Tax per Acre within each of these Taxable Property categories is equal for all Assessor’s Parcels in that specific Taxable Property category.

**“Public Property”** means, for each Fiscal Year, any property within the boundaries of CFD No. 2018-2 (IA No. 1) that, as of the May 1 preceding the Fiscal Year in which the Special Tax is being levied, was (i) owned by, irrevocably offered, or dedicated to the federal government, the State, the County, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by a public utility easement making impractical its use for any purpose other than that set forth in the easement. The total number of

acres to be classified as Property Owner Association Property or Public Property shall not exceed 33.26 acres, as described in Section E of this Rate and Method of Apportionment.

**“Rate and Method of Apportionment”** means this Rate and Method of Apportionment for CFD No. 2018-2 (IA No. 1).

**“Residential Floor Area”** means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor’s Parcel shall be as set forth in the Building Permit(s) issued for such Assessor’s Parcel and/or as set forth in the appropriate records kept by the Building and Safety Department of the City, or other applicable City department, as determined by the CFD Administrator. Such determination shall be final following the issuance of a certificate of occupancy for the Dwelling Unit.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one (1) or more Dwelling Units.

**“Single Family Residential”** means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one (1) single-family residential Dwelling Unit.

**“Special Tax” or “Special Taxes”** means the Special Tax A and/or Special Tax B that may be levied annually on one or more Assessor’s Parcels of Taxable Property within CFD No. 2018-2 (IA No. 1) pursuant to this Rate and Method of Apportionment.

**“Special Tax Levy” or “Special Tax Levies”** means the Special Tax A and/or Special Tax B to be levied in each Fiscal Year on Assessor’s Parcel of Taxable Property to fund the Special Tax Requirement for Facilities and Special Tax Requirement for Services, as applicable.

**“Special Tax A”** means the special tax to be levied in each Fiscal Year to fund the Special Tax Requirement for Facilities.

**“Special Tax B”** means the annual special tax to be levied in each Fiscal Year to fund the Special Tax Requirement for Services.

**“Special Tax Requirement for Facilities” or “Special Tax A Requirement”** means that amount of Special Taxes required, if any, in any Fiscal Year to (i) pay debt service on Outstanding Bonds payable in the calendar year commencing in such Fiscal Year, (ii) pay any amounts required to establish or replenish any reserve funds for all CFD No. 2018-2 (IA No. 1) Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement for Facilities in a previous Fiscal Year, (iii) pay for Administrative Expenses, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax for Facilities to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Taxes for Facilities levied in the previous Fiscal Year, (v) pay for previous Fiscal Year’s delinquent Special Tax A in excess of the amount included in the previous Fiscal Year’s computation under subsection (iv), (vi) pay directly for construction of CFD No. 2018-2 (IA No. 1) facilities

eligible under the Act to the extent that inclusion of this amount does not result in a Special Tax Levy on Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, less, (vii) a credit for funds available to reduce the Special Tax A, as determined by the CFD Administrator, so long as the Special Tax A Requirement is not less than zero.

**“Special Tax Requirement for Services” or “Special Tax B Requirement”** means that amount required in any Fiscal Year for CFD No. 2018-2 (IA No. 1) to: (i) pay directly for all Authorized Services eligible under the Act, including maintenance and reserves for maintenance of any Authorized Facilities; (ii) pay Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator; (iii) make debt service payments on Outstanding Bonds to the extent funds are not available from the Special Tax A Requirement, (iv) pay for delinquencies reasonably anticipated to occur in the payment of the annual Special Tax for Services to be levied in such Fiscal Year, based on the fiscal year-end delinquency rate for the Special Taxes for Services levied in the previous Fiscal Year, (v) pay for previous Fiscal Year’s delinquent Special Tax B in excess of the amount included in the previous Fiscal Year’s computation under subsection (iv); less (vi) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator.

**“State”** means the State of California.

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 2018-2 (IA No. 1) that are not exempt Property Owner Association Property or exempt Public Property or other property exempted pursuant to Section E herein.

**“Taxable Property Owner Association Property”** means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E herein.

**“Taxable Public Property”** means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E herein.

**“Total Floor Area”** means the sum of the Residential Floor Area and the Non-Residential Floor Area located on an Assessor’s Parcel.

**“Transition Component”** means for each Fiscal Year beginning in the Transition Year, an amount spread among all Parcels then subject to Special Tax B: (A) equal to 20% of the Special Tax A in the Fiscal Year prior to the Transition Year, adjusted by applying the following to the Special Tax A amount in the Fiscal Year prior to the Transition Year: (i) disregarding items (iv) and (v) in the Special Tax A definition, and (ii) for any parcel that prepaid the Special Tax A, adding an amount equal to the Special Tax A that would have been due in the Fiscal Year prior to the Transition Year if such Parcel had not prepaid; (B) spread among all Parcels of Developed Property in the same proportion applicable to land uses as shown in Table 2.

**“Transition Event”** means the earlier of (i) July 1, 2068 or (ii) the Fiscal Year when the CFD Administrator determines that the following events have occurred: (i) all Bonds secured by the levy and collection of Special Tax A in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and (iii) there are no other Authorized Facilities that the City intends to fund

with Bonds and Facilities Taxes.

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

**“Trustee”** means the trustee or fiscal agent under the Indenture.

**“Undeveloped Property”** means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Property Owner Association Property, or Taxable Public Property.

## **B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 2018-2 (IA No. 1) shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 below based on the description and the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 6.

## **C. MAXIMUM SPECIAL TAX RATE**

### **1. Special Tax A**

#### **a. Developed Property**

##### **(1) Maximum Special Tax A**

The Maximum Special Tax A for each Assessor’s Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A.

In the Transition Year and each Fiscal Year thereafter, no Special Tax A shall be levied on Undeveloped Property within CFD No. 2018-2 (IA No. 1), unless there are delinquent Special Tax A amounts on a Parcel of Undeveloped Property, in which case such delinquent Special Tax A amounts can continue to be levied against a parcel until they are collected.

##### **(2) Assigned Special Tax A**

Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 below based on the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 6. The Assigned Special Tax that shall be levied in Fiscal Year 2018-2019 for each Assessor’s Parcel classified as Developed Property is shown on Table 1 below.

**TABLE 1**  
**Assigned Special Tax A for Developed Property**  
**CFD No. 2018-2 (IA No. 1)**  
**Fiscal Year 2018-2019**

<b>Land Use Class</b>	<b>Description</b>	<b>Assigned Special Tax</b>
1	RESIDENTIAL PROPERTY (> 3,000 SF)	\$2,856 per Dwelling Unit
2	RESIDENTIAL PROPERTY (2,501 - 3,000 SF)	\$2,214 per Dwelling Unit
3	RESIDENTIAL PROPERTY (2,001 - 2,500 SF)	\$1,634 per Dwelling Unit
4	RESIDENTIAL PROPERTY (1,501 - 2,000 SF)	\$1,474 per Dwelling Unit
5	RESIDENTIAL PROPERTY (< 1,501 SF)	\$1,348 per Dwelling Unit
6	NON-RESIDENTIAL PROPERTY	\$18,311 per Acre

(3) Backup Special Tax A

The Backup Special Tax A for an Assessor's Parcel of Developed Property shall equal \$18,311 per Acre.

Furthermore, all Assessor's Parcels within CFD No. 2018-2 (IA No. 1) shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor's Parcels of Developed Property in CFD No. 2018-2 (IA No. 1), results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed Property in CFD No. 2018-2 (IA No. 1) in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses as defined in Section A herein), and (ii) all authorized CFD No. 2018-2 (IA No. 1) Bonds have already been issued or the City has covenanted that it shall not issue any additional CFD No. 2018-2 (IA No. 1) Bonds (except refunding bonds) to be supported by the Assigned Special Taxes in CFD No. 2018-2 (IA No. 1).

(4) Increase in the Assigned Special Tax A and Backup Special Tax A

On each July 1, commencing on July 1, 2019, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.



(5) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one (1) Land Use Class. The Special Taxes levied on an Assessor's Parcel shall be the sum of the Special Taxes for all Land Use Classes located on that Assessor's Parcel. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the Acreage to be assigned to the Non-Residential Property for purposes of establishing the annual Special Tax A shall equal the Non-Residential Floor Area on the Assessor's Parcel divided by Total Floor Area on the Assessor's Parcel multiplied by the Acreage of the Assessor's Parcel. Furthermore, for a condominium plan, if only a portion of its building permits have been issued, the remaining portion of the condominium plan shall be considered Final Mapped Property. The CFD Administrator's allocation to each type of property shall be final.

**b. Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property**

(1) Maximum Special Tax

The Fiscal Year 2018-2019 Maximum Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$18,311 per Acre.

(2) Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2019, the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2.00%) of the amount in effect for the previous Fiscal Year.

**2. Special Tax B**

**a. Developed Property**

(1) Maximum Special Tax B

The Maximum Special Tax B for Fiscal Year 2018-2019 for each Land Use Class to which it applies is shown below in Table 2 plus, beginning in the Transition Year and for each year thereafter, the Transition Component.

**TABLE 2**  
**Maximum Special Tax B for Developed Property**  
**CFD No. 2018-2 (IA No. 1)**  
**Fiscal Year 2018-2019**

<b>Land Use Class</b>	<b>Description</b>	<b>Assigned Special Tax (excluding Transition Component)</b>
1	SINGLE FAMILY RESIDENTIAL	\$500 per Dwelling Unit
2	MULTI-FAMILY RESIDENTIAL	\$330 per Dwelling Unit

(2) Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2019, the Maximum Special Tax B, other than the Transition Component, for Developed Property shall be increased annually by four (4.00%) percent per Fiscal Year and the Transition Component of Special Tax B shall be increased annually by two (2.00%) percent in each Fiscal Year following the first Fiscal Year in which it becomes applicable.

(3) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax B levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B for all Land Use Classes located on that Assessor's Parcel.

Special Tax B may be pledged to pay debt service on Outstanding Bonds on a first lien basis.

**b. Non-Residential Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property**

No Special Tax B shall be levied on Non-Residential Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

**1. Special Tax A**

Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax A Levy as follows:

First: The Assigned Special Tax A shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax A for Developed Property.

Second: If additional monies are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property until (i) the total Special Taxes levied under the first two steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on Final Mapped Property equal 100% of the Maximum Special Tax, whichever comes first.

Third: If additional monies are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until (i) the total Special Taxes levied under the first three steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A, whichever occurs first.

Fourth: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel of Developed Property until (i) the total Special Taxes levied under the first four steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Fifth: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first five steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Property Owner Association Property, whichever occurs first.

Sixth: If additional monies are needed to satisfy the Special Tax A Requirement after the first five steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first six steps listed in this Section D equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

Notwithstanding the above, the CFD Administrator or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in the first step (above), when (i) the City is no longer required to levy the Special Tax A beyond the first step (above) in order to meet the Special Tax A Requirement; and (ii) all authorized CFD No. 2018-2 (IA No. 1) Bonds have already been issued or the City has covenanted that it will not issue any additional CFD No. 2018-2 (IA No. 1) Bonds (except refunding bonds), to be supported by the Special Tax A.

## **2. Special Tax B**

Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the CFD Administrator shall Proportionately levy the annual Special Tax B on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax B, until the amount of Special Taxes equals the Special Tax B Requirement.

## **E. EXEMPTIONS**

### **1. Special Tax A**

No Special Tax shall be levied on Public Property, and Property Owner Association Property, in CFD No. 2018-2 (IA No. 1) provided that no such exemption shall reduce the total Acreage of Taxable Property to less than 33.26 Acres. Tax-exempt status shall be assigned by the CFD Administrator in the chronological order in which property in CFD No. 2018-2 (IA No. 1) becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel of Public Property, or Property Owner Association Property no longer be classified as tax-exempt, it will, from that point forward, be subject to the Special Tax. Furthermore, any Assessor's Parcel designated as Public Property or Property Owner Association Property that cannot be exempt from the Special Tax because such exemption would reduce the Acreage of all Taxable Property within CFD No. 2018-2 (IA No. 1) to less than 33.26 Acres shall be designated as Taxable Public Property or Taxable Property Owner Association Property.

Prior to sixty (60) days before the issuance of a first series of CFD No. 2018-2 (IA No. 1) Bonds, the CFD Administrator may increase or decrease the final number of minimum taxable Acres in CFD No. 2018-2 (IA No. 1) to better reflect the actual tax-exempt acreage within CFD No. 2018-2 (IA No. 1). However, notwithstanding the above, the final number of taxable Acres in CFD No. 2018-2 (IA No. 1) shall not be decreased if it causes an increase in the Special Tax levied on any existing Assessor's Parcel of Developed Property.

### **2. Special Tax B**

No Special Tax B shall be levied on Public Property and Property Owner Association Property.

**F. REVIEW/APPEAL PROCESS**

Any taxpayer may file a written appeal of the Special Tax on his/her property with the City, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator or its designee shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination within sixty (60) days after receipt of the appeal. If the CFD Administrator agrees with the appellant, the CFD Administrator shall make a recommendation to the City to eliminate or reduce the Special Tax on the appellant's property or to provide a refund to appellant. The approval of the City or its designee must be obtained prior to any such elimination or reduction. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has thirty (30) days in which to appeal to the City by filing a written notice of appeal with the CFD Administrator, provided that the appellant is current in his/her payments of the Special Taxes. The second appeal must specify the reasons for the appellant's disagreement with the CFD Administrator's determination. The CFD Administrator shall schedule the appeal to be heard before the City within sixty (60) days after receipt of the second appeal.

Interpretations may be made by the City, without Resolution or Ordinance of the City Council, for purposes of clarifying any vagueness or ambiguity as it relates to the Special Taxes, the Rate and Method of Apportionment, Land Use Classes, or any other definition applicable to CFD No. 2018-2 (IA No. 1).

Without City Council approval, the CFD Administrator may make minor, non-substantive administrative and technical changes to the provisions of this document that do not materially affect the rate, method of apportionment, and manner of collection of the Special Tax for purposes of administrative efficiency or convenience or to comply with new applicable federal, state, or local law.

The City, upon request of an owner of land within the CFD No. 2018-2 (IA No. 1) which is not Developed Property, may also amend this Rate and Method of Apportionment to reallocate the Special Tax applicable to such owner's land in a manner acceptable to the City, without Resolution or Ordinance of the City Council, upon the affirmative vote of such owner and without the vote of owners of any other land within the CFD No. 2018-2 (IA No. 1), provided such amendment (i) only affects the such owner's land, (ii) does not reduce the total annual Maximum Special Tax revenue for the CFD No. 2018-2 (IA No. 1), and (iii) provides for a Special Tax distribution upon development of such land which is reasonably proportional and consistent with Special Tax rates provided for in Section C (including escalations thereto) for similar land uses and is compliant with the tax assessment loan exception contained in U.S. Treasury Regulation Section 1.141-5(d).

**G. MANNER OF COLLECTION**

The Special Tax Levy will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2018-2 (IA No. 1) may directly bill the Special Tax Levy, may collect Special Tax Levies at a different time or in a different manner

if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

## **H. PREPAYMENT OF SPECIAL TAX A**

Under this Rate and Method of Apportionment, an Assessor's Parcel within CFD No. 2018-2 (IA No. 1) is permitted to prepay the Special Tax A. The obligation of the owner of an Assessor's Parcel to pay the Special Tax A may be fully or partially prepaid and permanently satisfied as described herein, provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or for an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a Building Permit has been issued after January 1, 2018, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the CFD Administrator shall notify such owner of the Special Tax A Prepayment Amount (defined below) for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. If there are Outstanding Bonds, prepayment must be made not less than thirty (30) days prior to a date that notice of redemption of CFD No. 2018-2 (IA No. 1) Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax B may not be prepaid.

The following additional definitions apply to this Section H:

**"CFD Public Facilities Costs"** means either \$10,400,000 in 2018 dollars, which shall increase by the Construction Inflation Index on July 1, 2019, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide funding for the Authorized Facilities under the authorized bonding program for CFD No. 2018-2 (IA No. 1), or (ii) shall be determined by the City concurrently with a covenant that it shall not issue any more CFD No. 2018-2 (IA No. 1) Bonds (except refunding bonds) to be supported by the Special Tax A levy under this Rate and Method of Apportionment.

**"Construction Inflation Index"** means the annual percentage change in the Engineering News Record Building Cost Index for the City of San Francisco, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News Record Building Cost Index for the City of San Francisco.

**"Future Facilities Costs"** means the CFD Public Facilities Costs minus (i) costs of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund available to pay costs of Authorized Facilities, (iii) monies currently on deposit in an escrow fund established pursuant to the Indenture and expected to be available to fund Authorized Facilities and (iii) the amount the CFD Administrator reasonably expects to derive from the reinvestment of these funds.

**"Improvement Fund"** means a fund or account specifically identified in the Indenture to hold

funds which are currently available for expenditure to acquire or construct Authorized Facilities.

**“Previously Issued Bonds”** means, for any Fiscal Year, all Outstanding Bonds that are outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

### **1. Prepayment in Full**

The Special Tax A Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

Bond Redemption Amount	
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest Credit
Equals Special Tax A Prepayment Amount	

As of the proposed date of prepayment, the Special Tax A Prepayment Amount shall be calculated according to the following paragraphs:

1. Confirm that no Special Tax A delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A for the Assessor’s Parcel to be prepaid. For Assessor’s Parcels of Final Mapped Property or Undeveloped Property for which a Building Permit has been issued after January 1, 2018, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for such Assessor’s Parcel.
3. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 2 by the total estimated Assigned Special Tax A levy for CFD No. 2018-2 (IA No. 1) based on the Assigned Special Taxes for Developed Property which could be levied on all expected development assuming Buildout of CFD No. 2018-2 (IA No. 1), excluding any Assessor’s Parcels which have been prepaid, and  
  
(b) Divide the Backup Special Tax A computed pursuant to paragraph 2 by the total estimated Backup Special Taxes at Buildout for the entire CFD No. 2018-2 (IA No. 1), excluding any Assessor’s Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be redeemed (the “Bond Redemption Amount”).
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Previously Issued Bonds to be redeemed (the “Redemption Premium”).

6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the “Future Facilities Amount”).
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds.
9. Determine the Special Tax A levied on the Assessor’s Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax A Prepayment Amount, less any interest earnings attributed to the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the “Defeasance Amount”).
12. The administrative fees and expenses of CFD No. 2018-2 (IA No. 1) are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2018-2 (IA No. 1) Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “Administrative Fees and Expenses”).
13. The reserve fund credit (the “Reserve Fund Credit”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment date (the “Capitalized Interest Credit”).
15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11, and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “Special Tax A Prepayment Amount”).



## 2. Prepayment in Part

The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (PE - A) \times F + A.$$

These terms have the following meaning:

PP = the partial prepayment

PE = the Special Tax A Prepayment Amount calculated according to Section H.1

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax A.

A = the Administration Fees and Expenses from Section H.1.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax A and the percentage by which the Special Tax A shall be prepaid.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section H.3, and (ii) indicate in the records of CFD No. 2018-2 (IA No. 1) that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage  $(1.00 - F)$  of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

## 3. General Provisions Applicable to the Prepayment of Special Tax

### (a). Use of the Special Tax Prepayment Amount

The Special Tax A Prepayment Amount, less the Administrative Fees and Expenses calculated according to Sections H.1 and H.2 which shall be retained by CFD No. 2018-2 (IA No. 1), and less the Future Facilities Amount calculated according to Section H.1 which shall be deposited into the Improvement Fund, shall be deposited into specific funds established under the Indenture, to fully or partially redeem as many Outstanding Bonds as possible, and, if amounts are less than \$5,000, to make debt service payments on the Outstanding Bonds (collectively designated as the "Bond Retirement Funds").

### (b). Full Prepayment of Special Tax A

Upon confirmation of the payment of the current Fiscal Year's entire Special Tax A obligation, the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in accordance with Section H.1, the CFD Administrator may cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

**(c). Partial Prepayment of Special Tax A**

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section H.2. and (ii) indicate in the records of CFD No. 2018-2 (IA No. 1) that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's parcel, equal to the outstanding percentage (1.00 – F) of the Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section D herein.

**(d). Debt Service Coverage**

Notwithstanding the foregoing, no prepayment of the Special Tax A shall be allowed unless the amount of Special Tax A that may be levied on Taxable Property (assuming Buildout) within CFD No. 2018-2 (IA No. 1) in each future Fiscal Year (after excluding, Taxable Public Property and Taxable Property Owner Association Property as set forth in Section E herein), after the proposed prepayment, is at least equal to the sum of (i) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (ii) the Administrative Expenses as defined in Section A herein. Similarly, no prepayment of the Special Tax A shall be allowed if the amount of Special Tax A that may be levied on Taxable Property (assuming Buildout) within CFD No. 2018-2 (IA No. 1) in each future Fiscal Year (after excluding Taxable Property Owner Association Property and Taxable Public Property as set forth in Section E herein), after the proposed prepayment, does not at least equal to 1.10 times the debt service necessary to support the share of Outstanding Bonds that are secured by the Special Taxes.

**I. TERM OF SPECIAL TAX**

The Special Tax A shall be levied until the final series of CFD No. 2018-2 (IA No. 1) Bonds have matured, provided that the Special Tax A shall not be levied after Fiscal Year 2068-2069. The Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on the CFD No. 2018-2 (IA No. 1) Bonds have been paid and the City has covenanted that it will not issue any more Bonds (other than refunding Bonds) to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.