AMENDMENT TO SECTION 3.4 OF THE
EDUCATION ENHANCEMENT RESERVE JPA
IN ACCORDANCE WITH NORTH BAYSHORE PRECISE PLAN POLICY 3.4.5.5

3.4   Property Tax Revenue Calculations and Payments

   a.   <u>Property Tax Payment (PTP)</u>

        Beginning Fiscal Year 2014-15, an annual PTP shall be made by December 31 each year which shall be calculated by adjusting the prior year (e.g., Fiscal year 2013-14) PTP by the same percentage change in property tax revenues compared to the preceding fiscal year (e.g., Fiscal Year 2012-13). The annual PTP shall not drop below the Minimum Payment. If the change in property tax revenues results in a calculation that the annual PTP would be less than the Minimum Payment, and property tax revenues increase the next fiscal year, the next PTP will be calculated as though DISTRICTS' previous PTP had declined by the same percentage as the property tax revenues.

        For purposes of illustration, here are two examples (fictitious numbers are used for ease of calculation):

        Assuming the Minimum Payment is $1,000,000 in Fiscal Year 1 and the property tax revenues decrease by 10 percent between Fiscal Year 1 and the prior fiscal year, the annual PTP for Fiscal Year 2 would be calculated to be $900,000. Since this amount is below the Minimum Payment, the annual PTP for Fiscal Year 2 will be $1,000,000. Between Fiscal Years 1 and 2, property tax revenues increase 15 percent. Accordingly, the annual PTP for Fiscal Year 3 shall be calculated as $900,000 x 1.15 percent = $1,035,000.

        As another example, assuming the Minimum Payment is $1,000,000 in Fiscal Year 1 and the property tax revenues increase by 10 percent between Fiscal Year 1 and the prior Fiscal Year, the annual PTP for Fiscal Year 2 would be $1,100,000. Property tax revenues decrease 15 percent in Fiscal Year 2 from Fiscal Year 1. The annual PTP for Fiscal Year 3 shall be calculated as $1,100,000 - ($1,100,000 x 15 percent = $165,000) = $935,000. Since $935,000 is less than the Minimum Payment, the annual PTP shall be $1,000,000. Property tax revenues increase 10 percent in Fiscal Year 3 from Fiscal Year 2. The annual PTP for Fiscal Year 4 shall be $935,000 x 1.10 percent = $1,028,500.

Beginning in the first year of New Residential Development, as defined in Paragraph b below, the percentage change in property tax revenues will be adjusted as set forth in Paragraph c below to prevent the double-counting of the property tax revenues that are the result of New Residential Development.

b.   <u>New Residential Property Tax Payment (NR-PTP)</u>

In addition to the annual PTP, an annual NR-PTP shall be made based on the residential property development in the Shoreline Community that occurs after the December 12, 2017 adoption of the North Bayshore Precise Plan (Policy 3.4.5.5) (hereinafter New Residential Development).

The first NR-PTP will be made by December 31 of the fiscal year following the addition of New Residential Development assessed value (AV) to the Santa Clara County (County) July 1 tax roll (Tax Roll) (e.g., the July 1, 2021 Tax Roll is for Fiscal Year 2021-22, and the payment will be made by December 31, 2022).

In Year 1, the New Residential Development AV shall be calculated by subtracting the Base Residential AV Year 0, as adjusted by the California Consumer Price Index (CCPI) (see Example C), from the total residential Tax Roll AV. Base Residential Tax Roll AV shall mean the residential Tax Roll AV shown on the Tax Roll prior to the addition of new residential AV due to New Residential Development. The New Residential Development AV will then be multiplied by the 1.0 percent tax increment rate to determine the New Residential Property Tax Revenues. New Residential Property Tax Revenues will then be multiplied by the Increment Allocation Factor (IAF) for the largest tax rate area (TRA) in the Shoreline Community, currently TRA 05-004, as established and provided by the County, for each DISTRICT for the applicable fiscal year to determine the NR-PTP.

Each subsequent fiscal year, the Base Residential AV from the prior fiscal year will be multiplied by the annual CCPI, or other inflationary factor utilized by the County to adjust the tax roll, to determine the Base Residential AV to be used to calculate the NR-PTP.

The NR-PTP will be calculated as follows **(all numbers are for illustrative purposes only and are not to be considered a projection)**:

<u>Illustrative Example A Year 1—Calculation of New Residential Property Tax Revenues</u>

Total Residential Tax Roll AV Year 1	$138,600,000
Base Residential AV Year 0 (adjusted by CCPI)	(38,600,000)
Residential Development AV Year 1	$100,000,000
Tax Increment Rate	1.0%
Residential Property Tax Revenues Year 1	$1,000,000

<u>Illustrative Example B Year 1—Calculation of NR-PTP</u>

	MVWSD	**MVLAUHSD**
Increment Allocation Factor	23.76%	15.21%
NR-PTP (by the following December 31)	$237,600	$152,100

<u>Illustrative Example A Year 2—Calculation of New Residential Property Tax Revenues</u>

Total Residential Tax Roll AV Year 2	$238,600,000
Base Residential AV Year 1 (adjusted by CCPI)	(39,372,000)
Residential Development AV Year 2	$199,228,000
Tax Increment Rate	1.0%
Residential Property Tax Revenues Year 2	$1,992,280

<u>Illustrative Example B Year 2—Calculation of NR-PTP</u>

	MVWSD	**MVLAUHSD**
Increment Allocation Factor	23.76%	15.21%
NR-PTP (by the following December 31)	$473,366	$303,026

<u>Illustrative Example A Year 3—Calculation of New Residential Property Tax Revenues</u>

Total Residential Tax Roll AV Year 3	$300,000,000
Base Residential AV Year 2 (adjusted by CCPI)	(40,159,440)
Residential Development AV Year 3	$259,840,560
Tax Increment Rate	1.0%
Residential Property Tax Revenues Year 3	$2,598,406

Illustrative Example B Year 3—Calculation of NR-PTP

	MVWSD	MVLAUHSD
Increment Allocation Factor	23.76%	15.21%
NR-PTP (by following the December 31)	$617,381	$395,217

Illustrative Example A Year 4—Calculation of New Residential Property Tax Revenues

Total Residential Tax Roll AV Year 4	$400,000,000
Base Residential AV Year 3 (adjusted by CCPI)	(39,757,846)
Residential Development AV Year 4	$360,242,154
Tax Increment Rate	1.0%
Residential Property Tax Revenues Year 4	$3,602,422

Illustrative Example B Year 4—Calculation of NR-PTP

	MVWSD	MVLAUHSD
Increment Allocation Factor	23.76%	15.21%
NR-PTP (by the following December 31)	$855,935	$547,928

Illustrative Example A Year 5—Calculation of New Residential Property Tax Revenues

Total Residential Tax Roll AV Year 5	$500,000,000
Base Residential AV Year 4 (adjusted by CCPI)	(40,155,424)
Residential Development AV Year 5	$459,844,576
Tax Increment Rate	1.0%
Residential Property Tax Revenues Year 5	$4,598,446

Illustrative Example B Year 5—Calculation of NR-PTP

	MVWSD	MVLAUHSD
Increment Allocation Factor	23.76%	15.21%
NR-PTP (by the following December 31)	$1,092,591	$699,424

Illustrative Example C—Calculation of Base Residential AV (Following Year 1)

Base Residential Tax Roll AV Year 0	$38,600,000
Base Residential AV Year 1 (assume 2.0% CCPI)	$39,372,000
Base Residential AV Year 2 (assume 2.0% CCPI)	$40,159,440
Base Residential AV Year 3 (assume negative 1.0% CCPI)	$39,757,846
Base Residential AV Year 4 (assume 1.0% CCPI)	$40,155,424

c. Adjustment to the Percentage Change in Property Tax Revenues for the Calculation of the PTP

Beginning in the first year a NR-PTP is made, and every year thereafter, the property tax revenues calculated in Paragraph a above shall be reduced by the New Residential Property Tax Revenues calculated in Paragraph b above in order to prevent a double-counting of the property tax revenues that is the result of New Residential Development. The PTP shall be calculated annually by multiplying the prior fiscal year PTP by the adjusted percentage growth in property tax revenues as shown below, and subject to the provisions in Paragraph a.

An example of the calculations to adjust the percentage change in property tax revenues and calculate the total payments under this Section 3.4 is as follows (**numbers are used for illustrative purposes only and are not to be considered a projection**):

Illustrative Example D Year 1—Calculation of Adjusted % Change in Property Tax Revenues

Property Tax Revenues Received Year 0	$45,000,000
Property Tax Revenues Received Year 1	$50,000,000
Less New Residential Property Tax Revenues Year 1	($1,000,000)
Net Property Tax Revenues Year 1	$49,000,000
Adjusted Percentage Change from Year 0 to Year 1	8.9%

Illustrative Example E Year 1—Calculation of Total Payments under Section 3.4

	MVWSD	MVLAUHSD
PTP Year 0	$4,000,000	$2,600,000
Adjusted Percentage Change (see Ex D Year 1)	8.9%	8.9%
PTP Year 1	$4,356,000	$2,831,400
NR-PTP Year 1 (see Example B)	237,600	152,100
Total Payments under Section 3.4 Year 1	$4,593,600	$2,983,500

Illustrative Example D Year 2—Calculation of Adjusted % Change in Property Tax Revenues

Property Tax Revenues Received Year 1	$50,000,000
Property Tax Revenue Received Year 2	$55,000,000
Less New Residential Property Tax Revenues Year 2	($1,992,280)
Net Property Tax Revenues Year 2	$53,007,720
Adjusted Percentage Change from Year 1 to Year 2	6.0%

Illustrative Example E Year 2—Calculation of Total Payments under Section 3.4

	MVWSD	MVLAUHSD
PTP Year 1	$4,356,000	$2,831,400
Adjusted Percentage Change (see Ex D Year 2)	6.0%	6.0%
PTP Year 2	$4,617,360	$3,001,284
NR-PTP Year 2 (see Example B)	473,366	303,026
Total Payments under Section 3.4 Year 2	$5,090,726	$3,304,310

Illustrative Example D Year 3—Calculation of Adjusted % Change in Property Tax Revenues

Property Tax Revenues Received Year 2	$55,000,000
Property Tax Revenue Received Year 3	$54,000,000
Less New Residential Property Tax Revenues Year 3	($2,598,406)
Net Property Tax Revenues Year 3	$51,401,594
Adjusted Percentage Change from Year 2 to Year 3	(6.5%)

Illustrative Example E Year 3—Calculation of Total Payments under Section 3.4

	MVWSD	MVLAUHSD
PTP Year 2	$4,617,360	$3,001,284
Adjusted Percentage Change (see Ex D Year 3)	(6.5%)	(6.5%)
PTP Year 3	$4,317,232	$2,806,201
NR-PTP Year 4 (see Example B)	617,381	395,217
Total Payments under Section 3.4 Year 3	$4,934,613	$3,201,418

Illustrative Example D Year 4—Calculation of Adjusted % Change in Property Tax Revenues

Property Tax Revenues Received Year 3	$54,000,000
Property Tax Revenue Received Year 4	$58,000,000
Less New Residential Property Tax Revenues Year 4	($3,602,422)
Net Property Tax Revenues Year 4	$54,397,578
Adjusted Percentage Change from Year 3 to Year 4	0.7%

Illustrative Example E Year 4—Calculation of Total Payments under Section 3.4

	MVWSD	MVLAUHSD
PTP Year 3	$4,317,232	$2,806,201
Adjusted Percentage Change (see Ex D Year 4)	0.7%	0.7%
PTP Year 4	$4,347,453	$2,825,844
NR-PTP Year 4 (see Example B)	855,935	547,928
Total Payments under Section 3.4 Year 4	$5,203,388	$3,373,772

Illustrative Example D Year 5—Calculation of Adjusted % Change in Property Tax Revenues

Property Tax Revenues Received Year 4	$58,000,000
Property Tax Revenue Received Year 5	$64,000,000
Less New Residential Property Tax Revenues Year 5	($4,598,446)
Net Property Tax Revenues Year 5	$59,401,554
Adjusted Percentage Change from Year 4 to Year 5	2.4%

Illustrative Example E Year 5—Calculation of Total Payments under Section 3.4

	MVWSD	MVLAUHSD
PTP Year 4	$4,347,453	$2,825,844
Adjusted Percentage Change (see Ex D Year 5)	2.4%	2.4%
PTP Year 5	$4,451,792	$2,893,664
NR-PTP Year 5 (see Example B)	1,092,591	699,424
Total Payments under Section 3.4 Year 5	$5,544,383	$3,593,088